

Endless Horrors Of North Korea Are Pushing U.S. Into Policy Shift

By Kevin Sullivan and Mary Jordan
Washington Post Service

SEOUL — It is the latest keyhole view into North Korea: emaciated, barefoot orphans sucking fish bones in a squalid outdoor market; women picking lice from each other's hair; men wading into a river to fish out the bodies of friends who had starved to death or been shot by border guards.

These scenes, a rare unfiltered view of life inside a starving country, were secretly filmed several months ago by a young defector who returned to his homeland with a high-tech camera hidden under his ragged clothes.

Although the film is only a fleeting glimpse into the misery of a few hundred North Koreans, U.S. and South Korean officials have sifted through it looking for meaning. So little good information exists about North Korea that even a few minutes of shaky videotape are a valuable tool in the effort to figure out this improbably resilient and well-armed Stalinist fortress in East Asia.

Such fragments are among the evidence contributing to one of the most important reassessments of U.S. policy toward North Korea since the end of the Korean War. Within the month, William Perry, the former U.S. defense secretary, is scheduled to deliver recommendations to President Bill Clinton for a new, more comprehensive approach toward the isolated, impoverished and often hostile state.

According to interviews with dozens of North Korea specialists in Tokyo, Seoul and Washington in the past month, the collage of images Mr. Perry has to consider paints a disturbing picture: that of a gangster state that produces and traffics in illegal drugs and counterfeit money, that sells missiles to Syria and Pakistan and threatens to make nuclear weapons while starving millions of people starve.

The Clinton administration's response to the menace of North Korea is now a matter of intense debate. Washington has made Pyongyang a major recipient of humanitarian aid, sending hundreds of millions of tons of food aid. It also continues to send multimillion-dollar shipments of fuel oil as part of a 1994 agreement in which North Korea agreed to shut down its nuclear-weapons program — even though virtually no one believes it has stopped working on making nuclear bombs.

Many members of Congress, Republicans and Democrats, want the United States to deal with the North Korean leader, Kim Jong Il, the way it has with President Saddam Hussein of Iraq: with sanctions and unmistakable consequences for actions such as Pyongyang's refusal to allow inspection of suspected nuclear-weapons development sites.

But U.S. officials argue that engaging, rather than isolating, Pyongyang is still the wisest course. President Kim Dae Jung of South Korea is lobbying hard for Washington to follow his "sunshine policy" of trying to draw out North Korea.

Kim Dae Jung and Mr. Clinton agree that pushing a hungry and belligerent North Korea too hard could lead to unthinkable bloody consequences. They also say that North Korea has shown some positive response to coming by Washington and Seoul, agreeing to peace talks, allowing more foreign investment and sending some officials overseas to learn about in-

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DEVASTATING FIRE — Residents of a New Delhi shantytown searching Sunday for possessions in the remains of their homes. At least 26 people were killed and thousands made homeless when a four-hour fire engulfed the makeshift dwellings. Page 6.

Bankers Upbeat on Latin America's Future

By Alan Friedman
International Herald Tribune

PARIS — Latin America will sink into recession this year, but the region is likely to stage a recovery in 2000 that could bring a faster return to growth than in the troubled countries of Asia, according to senior international financial officials.

"This will be a bad year in Latin America in terms of growth, but there are good reasons to expect a sustained recovery by the year 2000," said Enrique Iglesias, president of the Inter-American Development Bank.

Mr. Iglesias, whose forecast of 1999 growth in Latin America of between zero and 1 percent is

more optimistic than private-sector forecasts, was speaking on the eve of the annual meetings of the 46-member development bank, which begin Monday in the presence of some 5,000 delegates.

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Among the reasons cited by economists for a gloomy 1999 is the deep recession facing Brazil, the biggest Latin American economy, which has increased interest rates to 45 percent as part of a revised \$41.5 billion reform plan agreed last Monday with the International Monetary Fund. The

IMF expects that as Brazil seeks to slash public spending and contain inflation, its economy will shrink 4 percent this year, triggering recession in Argentina, its neighbor and key trading partner.

Elsewhere in Latin America, the effects of the Brazil crisis, the decline of Asia as an export market, record low commodity prices and a sharp drop in foreign investments and capital flows will make 1999 the worst year in nearly a decade.

Most economists expect the low level of oil prices to cause the Venezuelan economy to contract by about 2 percent because oil accounts for more than two-thirds of exports.

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Indonesia Moves to Clean Up Banking Industry

By Atika Shubert
Washington Post Service

JAKARTA — The Indonesian government shut down 38 banks over the weekend in an effort to clean out the country's debt-ridden financial system.

The announcement came after a two-week delay in action had prompted fears that behind-the-scenes deal-making would sabotage the needed banking reforms.

Accompanied by officials of the World Bank and the International Monetary Fund, Indonesia's finance minister, Bambang Subianto, unveiled a

far-reaching plan that also calls for the government to inject new capital into nine ailing banks and take over seven more in an effort to rehabilitate several of the country's larger financial institutions.

Hubert Neiss, the IMF's Asia-Pacific director, noted that the plan had "politically sensitive implications," but gave it his full endorsement.

"The government should be commended for the extensive work done and for taking the difficult decisions of closures, recapitalization and government takeovers based on objective and transparent criteria," Mr. Neiss said.

The delay, which stirred criticism that the

government was giving time to politically connected banks to pump up their capitalization and thereby be saved from liquidation, also sparked rumors that fewer than 20 banks would be closed.

But the World Bank, which recently assessed the country's economic reforms as "slow and halting," applauded the bank closings as "taking the necessary difficult decisions."

Three of the banks that were closed are owned by relatives of former president Suharto, who stepped down last May during mass rioting and student

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EU Commission's Future At Stake in Fraud Inquiry

By Barry James
International Herald Tribune

BRUSSELS — Twenty unelected officials who each earn as much as the president of the United States face an uncomfortable day Monday with the publication of a report from an investigation into corruption, waste, cronyism and nepotism at the European Commission, which officials fear could be damaging.

A negative report by an independent committee could lead to pressure from the 626-member European Parliament for the resignation of some or all of the government-appointed commissioners, which would be unprecedented in the history of the European Union. The investigation was established after the Parliament failed in January to remove the commissioners on charges of corruption and mismanagement.

Eight commissioners appeared before the investigating committee. The most vulnerable appears to be the former French prime minister Edith Cresson, who is in charge of research, education, youth and training.

Officials said she might be held responsible for hiring an outside agency that allegedly squandered millions of dollars earmarked for a youth training program, although there is no suggestion that she benefited personally from this.

According to members of Parliament,

she also arranged a commission contract for a dentist from the French town where she formerly served as mayor — he wrote a report on AIDS, not his specialty — and for his son.

Mrs. Cresson's response to the allegations was: "Should we only work with people we have never met?"

The five members of the committee, all of them high-level auditors, met Sunday evening to add the final touches to their report, which will be handed to the commission and the European Parliament late Monday. So far there have been no leaks of its contents.

The president of the commission, Jacques Santer, convened an extraordinary meeting of the body for Monday evening. He promised that the members would take heed of the inquiry's findings, whether they concerned individual commissioners or the entire body.

Mr. Santer has said he expects commissioners to accept the political consequences of a negative finding by the investigating committee — an oblique way of declaring that they should resign if found guilty. This was a retreat from his earlier position that the commission stood or fell as a single college.

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AGENDA

Gunmen in Dublin Wound 6 at Game

DUBLIN (Reuters) — Two gunmen on a motorbike rode onto an Irish soccer field and fired on players and spectators Sunday, wounding six of them, the police said.

The gunmen shot five players and a spectator before fleeing the field at Clonsilla, an area of Dublin. All six were taken to the hospital.

"The injuries are not serious," a spokesman for the police said. "They are not life-threatening."

The police said they knew of no motive for the attack and had no suspects.

They said that they believed that just one weapon had been used, a shotgun, and that both people on the motorbike were men. The assailants were wearing motorcycle helmets.

The soccer match was an adult contest, a police spokesman said. "It wasn't a big match or anything," the spokesman said. "It was a small district league or something like that, only 100 or 200 spectators."

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MOURNING IN ISTANBUL — A relative of one of the 13 people killed in a store firebombing being comforted Sunday outside a morgue in Istanbul's Goztepe district. A group vowing revenge for the capture of the Kurdish rebel Abdullah Ocalan took responsibility. Page 5.

Mahathir Scores Victory in Key Election

The governing coalition of Prime Minister Mahathir bin Mohamad scored a decisive victory in the Sabah state election over the weekend, bolstering the federal government's position and

fueling speculation that Mr. Mahathir could call national elections soon. Opposition leaders said the results showed how difficult it will be to end Mr. Mahathir's 18-year rule. Page 6.

Schroeder Signals Turn To Right on Economy

Government Pledges
To Seek Deeper Cuts
In Corporate Taxes

By John Schmid
International Herald Tribune

FRANKFURT — The government of Chancellor Gerhard Schroeder, wasting little time after the surprise resignation last week of the left-leaning finance minister, Oskar Lafontaine, signaled a conservative shift over the weekend.

"Things will obviously be different now," Bodo Hombach, Mr. Schroeder's chief of staff, said on German television Sunday. "We have to move in a different direction."

Sounding a more industry-friendly tone, Economics Minister Werner Mueller promised to seek deeper reductions in the nation's high corporate tax burden than Mr. Lafontaine wanted.

"It would be a signal for the industry for an upturn and lead to more investment," Mr. Mueller told the weekly magazine Focus in an edition to appear Monday.

The newspaper Welt am Sonntag separately reported that the Social Democratic-led government had discarded demands by its coalition partners, the anti-nuclear Greens party, to shut down three or four of Germany's 19 nuclear-power stations during its four-year term as a first step toward complete withdrawal from nuclear power.

Mr. Schroeder's allies in the so-called economic-modernizer wing of his center-left party used a blitz of weekend media interviews to change the tone of industrial policy after a firestorm of protest over Mr. Lafontaine's tax and wage programs helped precipitate the minister's sudden departure Thursday.

But responsibility for steering Bonn's troubled government falls squarely on Mr. Schroeder after the loss of Mr. Lafontaine, who took the brunt of the criticism for what critics have called policy chaos for much of the time since the Social Democrats won the German election in September.

Mr. Lafontaine was the architect of the government's tax plan, which would shift new burdens onto industry. Critics said Mr. Lafontaine had failed to understand that Germany's export-dependent economy would suffer in the age of globalization if business took on a greater tax and wage burden. During his short tenure, however, Mr. Lafontaine was able to dominate issues with his twofold authority as chairman of the Social Democratic Party and finance minister.

After three days of self-imposed isolation, Mr. Lafontaine fired back at his critics Sunday. Blaming his abrupt departure on disarray in the administration, he denied that he had resigned because of "the direction of policy."

Instead, he said as he emerged from his home in Saarbrücken and read a statement to reporters camped out in the

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Kosovo Talks Set to Resume In Hard Mood

By Craig R. Whitney
New York Times Service

PARIS — When peace talks on Kosovo resume here Monday, not only the fate of the province's 2 million people but also the credibility of European diplomacy and the NATO military alliance will hang in the balance, European and American officials say.

France and Britain, which are leading the talks, plan to give Serbian and ethnic Albanian negotiators only two to three days to accept the international peace plan for autonomy in Kosovo, worked out last month, or to face the consequences, according to allied officials.

But the allied resolve hangs on final acceptance of the plan by ethnic Albanian military commanders who have been battling with government forces for independence of the southern Serbian province, where 90 percent of the population is ethnic Albanian.

The proposed accord offers Kosovo autonomy for the next three years but leaves its fate after that uncertain.

[The head of the Yugoslav delegation, Deputy Prime Minister Radko Markovic, vowed in Paris that his country would never yield Kosovo except under force.]

A key Kosovo Liberation Army negotiator, Hashim Thaci, said before leaving for France, "The definitive answer will be given in Paris."

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As NATO Nears 50, Russia Sees Little Cause for Joy

By Michael R. Gordon
New York Times Service

MOSCOW — If the diplomats of NATO get their way, the 50th birthday party of the alliance in Washington next month will be replete with post-Cold War symbolism, featuring top Russian officials in its large cast to demonstrate just how well the old enemies now work side by side.

There is just one small problem — Russia has not yet decided whether it wants to participate.

The Kremlin, playing as hard-to-get as ever, says it might dispatch a senior representative to the celebration, but only if a rupture is avoided over the Kosovo crisis and only if limits are put on the number

of alliance troops that can be rushed during a crisis to Poland, the Czech Republic or Hungary, the three former members of the Soviet bloc that joined the North Atlantic Treaty Organization on Friday.

Almost two years after NATO and Russia sealed a much-advertised cooperation agreement, the two sides

Germany now surrounded by allies. Page 4.

are still fighting old battles over the enlargement of the Western alliance.

Despite the obvious weaknesses of the Russian military machine, the factors of its nuclear muscle and the superpower mentality of its foreign-policy elite

seem destined to ensure that those battles will grow no less rancorous with time.

Seeking to reassure a Russia still unhappy about NATO's enlargement, the alliance has confidentially proposed to limit troop deployments to bolster Poland, the Czech Republic or Hungary in an emergency. The two divisions that could be dispatched to each of these nations, under the Western plan, would be equivalent to a light army corps with about 460 tanks.

The Russians want to limit such deployments to a division or even less.

"The Russian strategy, however, is to undermine NATO effectiveness," said Sergei Karaganov of the

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'Train of Death' / Algiers to Oran via Atlas Mountains

Algeria: Is That a Light at the End of the Tunnel?

By John F. Burns
New York Times Service

ORAN, Algeria — A weak winter sun was rising over the Bay of Algiers as passengers in Algiers began boarding Train 1001 for Oran, 470 kilometers to the west along a route through a region in the Atlas Mountains made dangerous by years of attacks by Islamic rebels.

Just before departure, security men checking baggage for bombs cleared a path for 30 paramilitary policemen marching past with an armory of rifles and machine guns. As the men took up positions in the train's 11 cars, their commander took two foreigners aside for what amounted to a battlefield briefing.

"Don't leave your seats without one of my troops," he said, "and don't enter the first three carriages — they are empty in case we hit a bomb. Our government has allowed you to travel because the dangers are much reduced. But it is not for nothing that Algerians call this the Train of Death."

In the 1990s, life in Algeria has been disfigured by massacres of entire villages, bombings in restaurants and cafes, and killings of artists, theater directors, journalists, scholars and others judged to have offended Islamic mores. No road has been safe from roadblocks set up by the rebels, who have stopped cars, then shot the occupants or cut their throats.

But few experiences have been as unnerving as riding Train 1001. On its seven-hour run on the 285 miles from Algiers to Oran, the country's second-largest city, it has been attacked at least 25 times, usually with land mines.

Dozens of passengers have been killed, and scores more wounded. In the mid-1990s the government's inability to halt the attacks became a symbol of widening chaos.

But now, with government troops prevailing in the conflict, Train 1001 has become a new kind of symbol, of an Algeria working its way back from the brink.

After years of running half-empty, the train is full again and runs safely for months at a time. Reflecting the new confidence, the military authorities who are Algeria's real rulers have begun allowing visiting journalists to make the trip.

In the years before the Islamic insurgency began in 1992, the train was a tourist draw. It linked two Mediterranean cities, Algiers and Oran, that are redolent in their whitewashed palaces and villas of the French colonial past. And it served as a panorama of Algerian history, running through towns that were Carthaginian, Roman, Spanish and Turkish in the 2,500 years before France became the ruling power in 1832.

But even with the threat much reduced, few passengers today seem disposed to ponder the mosaic of Algeria's past. As the train headed into the Mitidja region, where the route rises into the Atlas range and runs through areas where Islamic rebels remain active, most of the travelers fell silent, leaving the



An Algerian paramilitary police officer patrolling the aisles of Train 1001. Islamic rebels have attacked the train at least 25 times.

conductor, Dahman Fenni, to catch the mood. "We Muslims believe in destiny," he said. "So whether we die in our beds or on this train, it's all the same in the end."

Mr. Fenni, 45, a former amateur boxer, chuckled as if he did not quite believe his own words. "Well," he said, "I can see it's not to admit that those of us who make this journey for a living may be testing God's patience just a little."

In a landscape of deep valleys and rushing rivers, among orange and lemon groves and vineyards planted by the French, evidence of past attacks lay strewn beside the track. Among the twisted wreckage of rail cars blasted by bombs, the rebels have left graffiti celebrating their attacks.

"The government is led by infidels," said one.

"The GIA was here!" said another, using the French acronym for the Armed Islamic Group, the most violent of the rebel groups. Another said simply, "In the name of Allah."

Not surprisingly in a country where the government has a history of intolerance toward its critics, few of the passengers seemed eager to talk to strangers about the conflict, especially when the questions invited opinions about the ruling generals.

A presidential election called for April 15 will give Algeria's 16 million voters a chance to choose between a candidate backed by the generals and a range of opposition candidates, but few people are ready to say openly whom they intend to support.

"Are you crazy?" said Nasser Benfatma, 27. Do you want me to go to jail?"

An architecture graduate who despaired of getting a professional position in the severely depressed economy, Mr. Benfatma took up what Algerians call *trabendo*, small-time trading in the marketplaces of Algiers and Oran. On this trip, he carried a suitcase full of suede jackets bought on a trip to Istanbul.

Like many young Algerians — 70 percent of the 28 million people are under 30 — he said his first choice would be to emigrate.

"Look, what interests me is America," he said. "Can you get me a visa? If not, let's talk about Disneyland, or Coca-Cola, or blue jeans. That will cheer me up."

IF THERE is a wariness about open political discussion, there was little reserve in condemning the rebels. Mr. Fenni, the conductor, said the rebels had exhausted their support among Algerians with their violence.

"I am all for democracy," he said. "All good men are. But these Islamists, what are they offering us? They attack people in their homes, they burn down schools, they blow up trains, they cut people's throats. That's not democracy, and it certainly isn't Islam."

Many of the passengers were drawn from Algeria's poor, the class that provided the strongest support for the Islamic Salvation Front, a hard-line Islamic group, when it scored a landslide in the first round of voting in the 1991 national election.

After the generals canceled the election, the armed wing of the Islamic Salvation Front began the war. In 1997 the group negotiated a cease-fire with the government, but a splinter group, the Armed Islamic Group, has continued its attack, though at a diminished level.

Abdelkader Nedjoudj, a 68-year-old traveler, said market-oriented economic reforms by the government in the last decade had stripped him of his job as a laborer on a collective farm. Like many of Algeria's have-nots, he takes no side in the war.

"What can I know of those people?" he said, referring to the generals and the rebels. "I am an illiterate man. All I know is, I support anybody who gives me a daily ration of bread."

Chinese Spying Fallout: It's Political, Above All

By Tim Weiner
New York Times Service

WASHINGTON — A spy worms his way into a delicate niche of U.S. military intelligence. He steals its secrets and sells them to another government. His treachery inflicts the gravest damage to U.S. national security.

Another spy sets out to purloin a foreign government's trade secrets. The foreign government smells a rat, sets a trap that snares the spy, her boss, his deputy and two colleagues and sends them all packing.

In the first case, the spy was Jonathan Pollard, working for Israel. In the second case, the spies were working for the CIA, and their target was France.

Both cases caused political thunderstorms. But like most storms, they passed without permanently altering the landscape. The United States and Israel remain close, and Washington and Paris are amiable after a fashion, a couple reconciled after an infidelity.

Now assume, as one well might, that China — no ally — has been caught spying on the United States.

A Chinese-American has been fired from the Los Alamos nuclear laboratory in New Mexico, suspected of swiping bomb blueprints, though he has not been charged.

Beijing stands accused of suborning Chinese-Americans for treason, using its embassies as dens of espionage, filching a recipe for miniaturizing nukes.

And the White House is being flayed by Republicans in Congress — or running for president — who say President Bill Clinton's administration turned a blind eye to Chinese military and intelligence threats, deep-sixed the Los Alamos case and sold out national security concerns to a mercenary foreign policy driven by campaign-contributing corporations and shady Chinese middlemen.

The political charges are as powerful as tabloid headlines: Atom spies! Nuclear scandal!

What effect will this have on U.S. politics? Potentially plenty, since a presidential campaign is looming and exciting foreign policy issues are scarce.

And what effect will this have on U.S. diplomacy, with a summit meeting coming between the world's most powerful nation and its most populous one?

"Practically zero," said Donald Gregg, a former CIA station chief and deputy national security adviser to President George Bush.

James Lilley, a former CIA station chief and ambassador in Beijing, said: "Espionage is largely separate from the mainstream of foreign policy. You compartment it, you keep demagoguery out of it, you investigate, you nail the spy and you punish him, and you move on."

Former Secretary of State Henry Kissinger said: "We should be adult enough to understand that major countries are going to be spying on us. I'm assuming that we are spying on China. That should not in itself affect diplomatic relations."

In other words, grow up, America. The world these days is driven by money, not ideology. And national interests, not angels and devils, are what motivate intelligence strategies and international relations in general.

So, these old hands say, the Los Alamos case is likely to gradually decay into the background of the continuous, contentious chatter between the United States and the Middle Kingdom — if diplomacy's logic prevails.

At the same time it could become a lightning rod. "On top of human rights, trade, the Chinese aiming missiles against Taiwan, Chinese views of future warfare — put that into a presidential campaign, and you have a problem," Mr. Lilley said. Mr. Kissinger said, "You cannot open a newspaper without reading an attack on China. It's a nostalgia for confrontation."

For those in search of enemies, China makes a decent target. Its spy services, its army and its state industries all show "exceptional interest" in buying or stealing U.S. technology to modernize its backward military, the Pentagon says. China spies on the United States much as the Soviets did. Its nuclear weapons are capable, at least in theory, of turning Los Angeles and Seattle into smoking, radiating ruins.

But how real is that threat? China's nuclear arsenal is not much more potent than America's was when Mao Zedong took charge 50 years ago, and U.S. deterrent power is overwhelming. And if the Chinese did steal the trick of miniaturizing nuclear weapons, there is no evidence yet that they have figured out how to deploy that force in a way that alters the strategic balance.

Still, a smaller, smarter Chinese bomb could undercut U.S. interests in Asia. When China rattles its shorter-range missiles, Taiwan and Japan listen.

Now a clamor is rising for tighter security at the U.S. laboratories, where Chinese espionage presents a unique problem. It exclusively uses ethnic Chinese operatives, in large numbers, each supposed to gather a tiny piece of a puzzle. "You are looking at an individual collecting one small part one time, and you don't have the quality of case that our country will take to prosecute as far as espionage," said one senior FBI official — which may explain why there have been no arrests in the Los Alamos case.

Berger Defends U.S. Response

Brian Knowlton of the International Herald Tribune reported:

Samuel (Sandy) Berger, the national security adviser, said he had no intention of resigning over the issue of Chinese spying at Los Alamos, despite calls by some members of Congress.

On NBC's "Meet the Press" on Sunday, Mr. Berger defended the early response to reports of a possible spy at Los Alamos, saying, "I think that we acted appropriately. I think we acted swiftly."

He said he was "sure" Mr. Clinton would raise the issue when he met with Prime Minister Zhu Rongji of China in Washington next month.

U.S. Jets Strike Again at Sites In North Iraq

ANKARA — U.S. aircraft attacked Iraqi air defenses in the no-flight zone over northern Iraq on Sunday, according to a spokesman at the Incirlik base in southern Turkey from which the jets operate.

He said the planes dropped an undisclosed number of bombs after "aircraft observed Iraqi anti-aircraft artillery fire and detected Iraqi radar posing a threat to coalition aircraft."

"F-15E Strike Eagles dropped GBU-12 laser-guided bombs on several anti-aircraft artillery sites northwest and west of Mosul," the spokesman said.

In Baghdad, Iraq said Sunday that Western warplanes had attacked military and civilian facilities in the north and south of the country. A military spokesman, quoted by the official Iraqi News Agency, did not report any casualties.

Such strikes have been common since Iraq declared in December to oppose U.S. and British jets patrolling the no-flight zones in the northern and southern regions of the country.

The jets flying out of the Incirlik air base patrol a mountainous Kurdish-held enclave and a swath of Baghdad-controlled territory around the city of Mosul.

On Friday, jets from Incirlik also struck anti-aircraft artillery sites after detecting Iraqi radar tracking the aircraft.

Iraq does not recognize the Western-enforced no-flight zones set up in 1991 after the Gulf War to try to protect the Kurdish area in the north and Shiite Muslims in the south from attack by Baghdad.

Iraq Executes 8 for Killings

Eight Iraqi men were executed Saturday for killing two senior Shiite Muslim clerics last year and attacking another. The Associated Press reported Sunday from Baghdad, quoting Al-Jumhuriya, the state-run Iraqi daily.

The men were hanged Saturday, the paper said. It did not say when or where the trial was held.

Garson Kanin, Writer and Director, Dies

By Marilyn Berger
New York Times Service

NEW YORK — Garson Kanin, 86, who broke into show business as a saxophone-playing high school dropout and went on to write "Born Yesterday," direct "The Diary of Anne Frank" and become the co-writer of two classic movies, died Saturday at his home in Manhattan after a lengthy illness.

In a life filled with work — "I become physically ill if I don't work for three days," he once said — Mr. Kanin wrote or directed 52 plays, acted in 8, worked on 27 films and wrote more than a dozen books of fiction and nonfiction, as well as hundreds of short stories and articles that were translated into many languages.

For most of his life, Mr. Kanin and his first wife, the actress Ruth Gordon, were a team. They were feisty, argumentative collaborators as playwrights and a strikingly close couple for 43 years. She died in 1985.

Kanin and Miss Gordon wrote five films together, including "Adam's Rib" (1949) and "Pat and Mike" (1952), both of which starred Spencer Tracy and Katharine Hepburn.

Mr. Kanin, a compact, restless man of almost ascetic thinness who nevertheless loved good food, was born in Rochester, New York, on Nov. 24, 1912. He moved with his family to Detroit and finally to New York.

In 1935, he heard there was an open-

ing in a George Abbott play, "Ladies' Money," for an actor with red hair. He borrowed money from a friend, the actor Sam Levene, to have his hair dyed and showed up for the audition.

Mr. Abbott wrote in his autobiography that an actor turned up who was "just right" for the part. "He was so bright and so imaginative that I took to him immediately," he wrote. "His name was Garson Kanin."

The playwright Thornton Wilder became another mentor. "He certainly was the one who told me that I should write," Mr. Kanin said. "That had never occurred to me. He finally told me, 'He thought I was ready to write a play.'"

After serving in the army in World War II, Mr. Kanin in 1946 wrote the play "Born Yesterday," which won a Pulitzer prize. He directed Judy Holiday in a funny and touching portrayal of the not-so-dumb blonde mistress of a tycoon. In three years on Broadway, she never played to an empty seat.

Miss Holiday won an Oscar for her performance in the 1950 movie version, directed by George Cukor.

Mr. Kanin directed the Broadway musical "Funny Girl," starring Barbra Streisand, which became a hit in 1964.

In his later years, he concentrated on books and articles. "Remembering Mr. Maugham" (1966), a memoir of a long friendship with the writer Somerset Maugham; "Tracy and Hepburn" (1971), another reminiscence, and

"Hollywood" (1974), with its funny and loving portrait of Samuel Goldwyn, were all products of his habit of writing down what he heard.

In 1990, when he was 76, Mr. Kanin married the actress Marian Seldes, a longtime friend and colleague.

Wolf Ulrich von Hassell, 85; German Diplomat Fought Hitler

NEW YORK TIMES SERVICE

Wolf Ulrich von Hassell, 85, a former West German ambassador to the United Nations who helped the German resistance to Hitler during World War II and oversaw his country's postwar transition to full membership in international organizations, died at his home in Southampton, New York, on March 3. His family attributed his death to complications from emphysema.

Mr. von Hassell's father, Ulrich von Hassell, was executed by the Nazis in 1944 for his involvement in a plot to overthrow Hitler. During Mr. von Hassell's tenure as ambassador and deputy head of mission to the United Nations, from 1971 to 1978, the Federal Republic of Germany regained its status as a full member rather than observer.

Gershon Legman, 81; Scholar Of Limericks and Dirty Jokes

NEW YORK TIMES SERVICE

Gershon Legman, a self-taught scholar of dirty jokes and bawdy limericks and ballads who played a pivotal role in

Breath Tests Planned In 'Air Rage' Fight

AGENCE FRANCE-PRESSE

LONDON — Passengers suspected of having had one drink too many will receive a breath test before they board planes under plans to tackle "air rage," The Sunday Telegraph reported.

It said compulsory tests for people thought to have overindulged was one of the ideas discussed by Britain's Civil Aviation Authority, which is working with the government on ways to handle unruly air travelers.

Although airline personnel already can deny boarding to anyone they think is drunk, they say they often do not have time to make that determination, and sometimes a passenger's state of intoxication can be well hidden.

opening up the field of erotic folklore to scholarly study in the 1960s and '70s, died Feb. 23 at a hospital near his home in Opio, France. He was 81.

Mr. Legman is best known as the author of a two-volume psychoanalytic study of sexual and scatological humor, "Rationale of the Dirty Joke," and as an industrious anthologist of limericks.

He also said he coined the slogan "Make love, not war" during a talk at Ohio University in 1963.

TRAVEL UPDATE

India-Pakistan Bus Service Is Set

NEW DELHI (AP) — Tickets for the first bus service between India and Pakistan in 50 years have gone on sale and received an enthusiastic response.

The first buses filled with ordinary Indians and Pakistanis will leave Tuesday, with one going from New Delhi to Lahore, Pakistan, and the other leaving Lahore for New Delhi. The bus service will run four times a week.

Pilgrims Flowing to Saudi Arabia

RIYADH (Reuters) — Almost half a million Muslims have arrived in Saudi Arabia for the annual hajj or pilgrimage to Mecca, and safety measures were in place to try to prevent tragedies such as those that have marred the ritual in past years. A blaze in 1997 killed 343 people, and an estimated 119 died in a stampede last year.

The pilgrimage reaches its climax this year on March 26, with the climb to Mount Arafat, site of the Prophet Muhammad's last sermon 14 centuries ago.

This Week's Holidays

Banking and government offices may be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Belarus, Hungary, Liberia.

WEDNESDAY: Northern Ireland.

THURSDAY: Indonesia, Kuwait.

FRIDAY: Costa Rica, Malta, Spain, Venezuela.

SATURDAY: Azerbaijan, Iran, Japan, Tunisia.

SUNDAY: Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Mexico, Namibia, South Africa, Tajikistan, Tunisia, Turkmenistan, Uzbekistan.

Sources: Bloomberg, Reuters

WEATHER

Forecast for Tuesday through Thursday, as provided by AccuWeather.

Today				Tomorrow				Today				Tomorrow				Today				Tomorrow			
City	High	Low	Wind	City	High	Low	Wind	City	High	Low	Wind	City	High	Low	Wind	City	High	Low	Wind	City	High	Low	Wind
Algeria	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Amsterdam	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Ankara	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Athens	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Bahamas	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Bangkok	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Bombay	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Buenos Aires	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Burkina Faso	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Burkina Faso	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Burkina Faso	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
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Burkina Faso	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Burkina Faso	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
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Burkina Faso	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Burkina Faso	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Burkina Faso	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
Burkina Faso	16/11	12/5	12/12	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4	Alaska	12/12	8/4	8/4
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THE AMERICAS

Dole and Bush: Famous Names, but There's a Flip Side

By Richard L. Berke
New York Times Service

DES MOINES, Iowa — Announcing her presidential exploratory committee here last week, Elizabeth Dole invoked the last Republican hero, Ronald Reagan. Three days earlier, presenting his own committee in Austin, Texas, Governor George Bush mentioned the first Republican hero, Abraham Lincoln.

Neither made even a reference to two of the biggest names in Republican politics today, who also happen to be their most prominent supporters: former Senator Bob Dole and former President George Bush, respectively. Both were conspicuously absent from the events.

The closest Mr. Dole came to appearing with his wife was in one of seven blown-up photographs that served as the backdrop. Mr. Reagan got equal billing: There was a photograph of him and Mrs. Dole.

A Bush or a Dole has appeared on every Republican presidential ticket since 1976. But by distancing themselves from their family members, the latest Bush and Dole candidates demonstrate the complications — the drawbacks as well as advantages — of belonging to political dynasties.

Despite their individual accomplishments, Mrs. Dole and Mr. Bush would not be such hot tickets — they are swamping the Republican field in early polls — were it not for their pedigrees. Behind the scenes, they have been eagerly tapping into their families' extended financial and political networks.

Asked the obligatory questions by reporters about his father, Mr. Bush repeated his well-practiced reply after his announcement last week: "I inherited half his friends and all his enemies. I'm working on the other half of his friends — and trying to peel off a few of his enemies."

For all the voters who regard the Bush and Dole names as famous, there are others who view them as infamous. So the two newest national contenders are forced to make a purely political calculation: How closely do they want to be identified with losers? Who they want to be identified with? The former Senate Republican leader, suffered a humiliating defeat to President Bill Clinton in 1996? Or that former President Bush was ousted from office by Mr. Clinton in 1992?

The trick is very straightforward, to try to get all the benefits of the famous name and none of the negatives," said Nelson Warfield, Mr. Dole's press secretary in the 1996 campaign.

"The spotlight would not be nearly as bright for Elizabeth if her last name were Doyle. But any losing campaign leaves bad memories, so too much 'deja Dole' can hurt her."

Both candidates are sensitive to the suggestion that they are riding on familial coattails. Mr. Bush, who earned \$14 million from a minority investment in the Texas Rangers baseball team, is a widely popular governor in his own right; Mrs. Dole served in five administrations, twice in the cabinet.

Americans "are a robustly anti-dynastic culture," said Tony Dolan, Mr. Reagan's former chief speech writer, who recently met with the elder Bush in Texas. "George W. has to make clear that he doesn't think he has a right to inheritance."

Mrs. Dole's newly hired pollster, Linda DiVall, distinguished her candidate from another spouse of a famous politician, Hillary Rodham Clinton, who is toying with running for the U.S. Senate from New York.

"She is not running because she is the spouse or out of any sense of entitlement — or what we see with Hillary Clinton," Ms. DiVall said.

In personality, the candidates cannot be accused of being spinoffs of their more celebrated — in some cases, scorned — kin. Mrs.

Dole, who has never been elected to office, is a regimented perfectionist. Her husband, a veteran politician, is known for his looser, seat-of-the-pants approach.

Brising at contrasts to his father, Mr. Bush cited his distinct upbringing and achievements. "I went to Sam Houston Elementary School in Midland, Texas," he said last week. "And he went to Greenwich Country Day in Connecticut," Mr. Bush said. "He was never a governor, and, therefore, it's hard to get an apples-to-apples comparison."

The failure of Mrs. Dole and Mr. Bush to define themselves politically has left Republicans searching for hints. That Richard Darman, President Bush's budget director, has been nowhere to be seen in Governor Bush's organization has sent a signal that the governor has a more conservative economic philosophy. Many conservatives blame Mr. Darman for talking the president into the politically fatal tax increase in 1990.

From the opposite perspective, many conservatives groused last week about Mrs. Dole's hiring of Ms. DiVall because she has worked for Planned Parenthood and the National Education Association, which are seen as liberal organizations. Ms. DiVall says she has also had many conservatives on her client roster.

POLITICAL NOTES

An Executive Psychiatrist?

WASHINGTON — In the aftermath of the Monica Lewinsky scandal, people are wondering what can be done to prevent such a mess from ever occurring again. For one thing, lawmakers are poised to eliminate, or at least eviscerate, the Office of the Independent Counsel.

But how about an Office of the Independent Counselor instead? Some suggest that to address the problem of White House residents who can't control their darker impulses, the country needs a psychiatrist or psychologist on call for chief executives, their families and top aides.

The point was underscored by George Stephanopoulos' revelation in a memoir last week that he received psychiatric help and mood-elevating medication to treat anxiety and depression while he was Mr. Clinton's spokesman. "Mental and emotional health treatment is the last political taboo," Mr. Stephanopoulos said.

Mr. Stephanopoulos wouldn't say whether he would lobby for a presidential psychiatrist. The White House also declined to comment on the notion — even though the Clinton administration has championed greater access to mental-health care for all Americans.

Fred Greenstein, a former president of the International Society for the Study of Political Psychology, considers the presidency too important to be deprived of immediate psychological support. "Would you rather have someone who is untreated with his finger on the button or someone who had some place to vent?" Mr. Greenstein asked.

Robert Gilbert, author of "The Mortal Presidency: Illness and Anguish in the White House," seconds the idea. Mr. Gilbert says the White House medical office, now staffed by five doctors, could include a psychiatrist.

"As attitudes toward mental health dysfunction change, presidents might find mental health specialists in the White House increasingly useful," he writes. "They would be able to receive treatment for psychological distress in a routine way, and the country might be spared an emotionally disabled or impaired chief executive." (NYT)

Welfare Deal May See Changes

WASHINGTON — Three years ago, Congress made a deal with the states: The governors would assume full responsibility for administering welfare, and the federal government would provide \$16.4 billion a year to pay for it. But now the Senate is proposing to renege on the deal, and the governors are furious.

Senate appropriators want to use \$350 million of the welfare relief aid to Central America. Republican Governor Tommy Thompson of Wisconsin, a leader in state welfare-reform efforts, said the Senate had "unilaterally betrayed a promise that the House and Senate leadership made personally to me from day one."

The issue is caught up in the first major budget showdown of the year between the Republican Congress and the Clinton administration, and Republicans have not even been able to agree among themselves. Rather than tampering with the welfare funds, House appropriators favor cutting other programs to offset the cost of the emergency relief legislation. The House Ways and Means Committee Chairman, Bill Archer, Republican of Texas, called the Senate approach "breaking a trust."

Senate Appropriations Committee aides argue that the committee is not cutting but only "deferring" states' abilities to spend unused 1997 and 1998 funds until 2002. But welfare directors insist that the deferral is a cut and nothing more. (WP)

Away From Politics

U.S. prisons and jails held a record 1.8 million inmates last year, meaning one out of every 150 Americans was behind bars, the Justice Department reported Sunday. The national jail population was 41 percent white, 41 percent African American, 16 percent Hispanic and 2 percent others. Men accounted for 89 percent of the total. (Reuters)

A woman who allowed a male stripper to perform at her 15-year-old daughter's Halloween party in Pleasanton, California, has been sentenced to three years of probation. Carye McGrath, 39, was also ordered to apologize in writing to the parents of other partygoers, undergo psychological counseling, perform 240 hours of community service and pay a \$350 fine. (AP)

A bomb exploded outside an abortion clinic in Asheville, North Carolina, causing no injuries and little damage because it did not fully detonate. The bomb went off about a half hour before the clinic was to open at 8 A.M. (AP)



6 CHILDREN DIE IN FIRE — A firefighter in St. Louis, Missouri, calling for help at a second-story window as he battled a blaze. Six children were killed, the authorities said. Arson is suspected. (AP)

No Airport Bomb but a Scare

FBI Investigates Ex-Transportation Official in Ohio

By Glenn Kessler
Washington Post Service

WASHINGTON — A former Transportation Department inspector general is under investigation for allegedly trying to check luggage that contained what appeared to be a disassembled fake bomb, people familiar with the situation said.

The discovery of the bag Friday night at the Columbus, Ohio, airport led to the evacuation of hundreds of people from a concourse and the closure of one of two runways for four hours, the police said.

The former inspector general, Mary Schiavo, warns of lax aviation safety in a best-selling book, "Flying Blind, Flying Safe," which she wrote after she left the federal government in 1996. She also appears frequently on television to comment on air safety. In January, on an ABC news program, Ms. Schiavo said she had checked "fake bomb equipment" at the same airport, but "didn't get it on planes."

Richard Morgan, director of public safety at Port Columbus International airport, said "we are doing a criminal investigation now" involving the FBI and the Federal Aviation Administration. Ms. Schiavo is "one of the names mentioned as being involved," Mr. Morgan said, adding that investigators would interview her. No charges have been filed.

Ms. Schiavo was at the airport at the time of the discovery with a film crew from a local TV station, Mr. Morgan said.

Paul Takamoto, a spokesman for the Federal Aviation Administration said: "We are aware of an alleged security incident at Port Columbus airport and the FAA is looking into it." He declined to comment further.

Frank Scaffidi, an FBI spokesman in Washington, confirmed the FBI was investigating the incident but declined to comment on Ms. Schiavo. He said officials were examining what, if any, laws may have been broken. While it is illegal to threaten to bomb a plane or airport, "absent a threat, there may not be a violation," he said.

Ms. Schiavo, whose frequent criticism of the aviation agency has annoyed many U.S. officials, did not return several calls Saturday.

Officials said the bag in question was checked on an America West flight departing for Washington. At about 5 P.M., America West gate agents notified airport police to say they had a bag that, when passed through an X-ray machine, appeared to contain an explosive device. A passenger had checked the bag for the flight but had not boarded the plane.

Increasingly, airlines conduct such "positive bag matches" to make sure passengers who check bags board planes. But with 2.3 million checked bags a year on domestic flights, it is difficult to do so on every flight.

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ASIA/PACIFIC

Army Raids And Arrests Follow Latest Ambon Riots

Compiled by Our Staff From Dispatches
AMBON, Indonesia — The military clamped down Sunday after fighting among Christians and Muslims that has killed more than 200 people in less than two months on the island of Ambon.
 While troops were conducting raids, arrests and searches on the island, an unidentified security official was indicted for fomenting sectarian rioting and faces trial this week, the military police chief of Ambon, Major Djubendi, said.
 Military authorities have questioned more than a dozen security officials in response to claims by Muslim leaders that security forces have sided with Christians in the violence that has been raging since January.
 The streets of Ambon, which had begun to return to life Saturday morning with shops and markets reopening and traffic resuming, were again deserted by noon Sunday after the discovery of new corpses from the rioting.
 A Roman Catholic priest said parishioners had told him two bodies were found in a ditch Saturday in the predominantly Muslim area of Gajungung. The police said only one body had been found.
 Soldiers conducted body and luggage searches on passengers coming and going on inter-island ferries and ships at the island's main port. Thousands of people fleeing more bloodshed have already fled Ambon. About



Refugees struggling Sunday to board a ship in Ambon as thousands continued to flee sectarian violence.

a dozen men were arrested when they were found to be carrying knives and other weapons.
 In a flare-up in the violence in the past week, troops have shot and killed at least a dozen people while trying to break up Muslim and Christian mobs that were fighting each other with spears, knives and gasoline bombs.
 On Saturday, police arrested 37 Muslims, found to be holding a stash of homemade bombs and spears and swords, who were suspected of planning anti-Christian attacks.
 The same day, Christians burned two houses belonging to Muslims, and the slashed body of a Christian man was found dumped near the offices of a moderate Muslim political party opposed to the violence.
 The Ambon Christian community quietly celebrated Mass on Sunday in churches guarded by the troops deployed since the military authorities took over from the police Thursday to restore order. A platoon of marines had also been deployed at the main Al-Fatah mosque.
 Military officials said government offices and schools would open Monday as usual. Thousands of state employees and school students have been staying at home because of the violence.
 In Vatican City, Pope John Paul II appealed Sunday for an end to the fighting on Ambon, saying in his weekly address that the strife there had overturned the traditionally harmonious coexistence between Christians and Muslims in Indonesia.
 (AP, AFP, Reuters)

Mahathir Savors Victory In Key Malaysian Election

By Thomas Fuller
 International Herald Tribune

KOTA KINABALU, Malaysia — The ruling coalition of Prime Minister Mahathir bin Mohamad scored a decisive victory in a state election here over the weekend, bolstering the federal government's position and fueling speculation that Mr. Mahathir could call national elections soon.
 The prime minister's party came away with a perfect 100 percent winning all 24 seats it contested for the Sabah state legislature. With the seven seats won by his coalition partners, Mr. Mahathir secured firm control over the state, one of Malaysia's largest. "I'm ecstatic," he said after the polls closed Saturday. "We had a clear victory."
 The elections were the first major test for the government since the dismissal of Anwar Ibrahim as deputy prime minister in September and subsequent arrest.
 Opposition leaders said the results from Sabah showed how difficult it will be to end Mr. Mahathir's 18-year rule.
 "I was surprised by the margin of victory," Lim Kit Siang, head of the opposition Democratic Action Party, told Reuters. "This is a very sobering result for all who are trying to bring about change in the next election."
 Mr. Mahathir said Sunday that he was now confident his coalition would "secure the majority support of the people" when national elections are held. They must be called before April 2000.
 He also said that voters in Sabah had proved foreign leaders and the Western media wrong by keeping his coalition in power, the official Bernama news agency quoted him as saying, according to Reuters.

Noting that some foreigners had said that he and his government no longer enjoyed popular support, the prime minister said: "Actually, they want me to be removed and replaced by someone who will bow to them, who will sell the country. That is why they initiated efforts to topple the government. They can always try but it is the Malaysians who decide the fate of the nation, not foreign leaders or the Western media."
 Strong support from Sabah in those elections would buttress the government's control of Parliament: Sabah and neighboring Sarawak, the two Malaysian states of Borneo, account for a quarter of the seats in Parliament.

Party leaders who led the campaign in Sabah were clearly relieved to hear the results late Saturday after weeks of intense campaigning that saw Mr. Mahathir come to Sabah three times in the past month.
 "Everybody focused on this election, focused on the mood of the people and the capabilities of the Barisan Nasional," Siti Zaharah Sulaiman, a cabinet member who helped lead the campaign, said of the ruling coalition. "It just goes to show that even under the most trying circumstances we can win."
 At the top of the list of "trying circumstances" is the economy, which shrank by 6 percent last year — although Sabah was protected from severe hardships by its timber and oil industries.

If anything, Mr. Mahathir's handling of the economy — including moves to impose limits on the amount of money Malaysians can take abroad — seem to have helped the prime minister and his allies in the state. "They are very happy with the performance of the prime minister," said Herman Luping, a retired Sabah politician. "They look at Mahathir as their economic savior."
 Clearly not all voters agreed. The election was split largely along racial and religious lines, with Muslim-dominated districts voting for Mr. Mahathir and those with large numbers of Kadazandusuns — Sabah's largest ethnic group — voting for the opposition.

The opposition Parti Bersatu Sabah, led by Joseph Pairin Kitingan, a Kadazan cultural leader, won 17 of the 48 seats. Mr. Pairin and others complained that redrawn electoral boundaries had benefited Mr. Mahathir's party and they accused the prime minister of

blackmailing voters by telling them that they would receive no federal assistance if they voted for the opposition. Mr. Pairin also said he was considering lodging a police report on alleged voting irregularities.
 The results Saturday leave the Kadazan-dusun massively underrepresented in the state government. Although they make up 54 percent of the state's population, the new ruling coalition is less than 10 percent Kadazandusun.
 What remains to be seen is whether Mr. Mahathir can translate the support he received in Sabah into a convincing electoral victory on the peninsula, where the prime minister has the strongest criticism since Mr. Anwar's dismissal, beating and trial on charges of sodomy and abuse of power.
 The prime minister's allies say the Sabah victory shows that the party machinery is ready for the challenge even if the issues on the peninsula are very different.
 The coalition's campaign was orchestrated by Abdullah Ahmad Badawi, who took over Mr. Anwar's job as deputy prime minister in January. The stakes were high for Mr. Abdullah, a veteran politician who is now in line to succeed Mr. Mahathir. Sabah was seen as his proving ground.

Inferno Kills At Least 26 In New Delhi

Compiled by Our Staff From Dispatches

NEW DELHI — At least 26 people were killed and thousands were made homeless Sunday when a huge blaze engulfed a sprawling shantytown in the Indian capital, the police said.
 The United News of India news agency said a third of at least 50,000 makeshift dwellings in the shantytown were devastated by the fire.
 A spokesman for the fire department said 26 bodies had been recovered so far from the gutted Indira Puram shantytown. "We fear the toll will cross 30 because some more bodies have not yet been recovered," he said as flames flickered six hours after the inferno erupted.
 The police said a spark from a stove started the fire. Five children and four women were among the bodies brought out from a smoldering mosque where some residents took shelter after the fire broke out Sunday afternoon, the police said. About 50 other people were hospitalized, with seven of them in critical condition.

A strong breeze from the nearby Yamuna River fanned the flames, which within minutes destroyed hundreds of shanties behind a national memorial in the city's northeastern section.

"There were 60 or 70 people in a mosque here when the fire engulfed our colony," a resident, Mohammed Sultan, said. "We badly need water or the entire colony will be reduced to ashes."

Angered by what they said was a delay in the arrival of fire trucks, residents threw stones at some of the vehicles, damaging at least three of them, the fire department spokesman said.

Police in riot gear moved into the area to help rescue trapped people and bring out the dead. Witnesses said the residents also clashed with the police and were beaten back with sticks and rifle butts.
 The shantytown was made up of a large population of illegal Bangladeshi immigrants, the police said.

Children sifted through their homes, some of them still burning, for their meager belongings.
 (AFP, Reuters)



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BRIEFLY

China Detains 3 Party Members

BEIJING — The police in the eastern city of Hangzhou detained at least three members of a banned pro-democracy party and prevented others from meeting on Sunday, a Hong Kong-based human rights group reported.
 Besides Wang Rongqing, Zhu Yufu and Zhu Zhengming, other members of the China Democracy Party, the focus of a recent crackdown, could not be located by colleagues and may also have been arrested, the Information Center of Human Rights and Democratic Movement in China said.
 (AP)

Hanoi Attacks U.S. Criticism

HANOI — Vietnam has rejected U.S. criticism of a prominent dissident's arrest, characterizing Washington's call for his immediate release "brazen interference" in its internal affairs.

Vietnam has not publicly commented directly on wide-spread reports that Nguyen Thanh Giang, 63, an internationally known geologist who has written a number of articles on alleged Communist Party corruption, was arrested near his home March 4.

But a statement Saturday appeared to confirm the arrest. "Any Vietnamese who breaks the law will be tried in accordance with Vietnamese law," the Foreign Ministry spokeswoman Phan Thuy Thanh said.
 (AP)

مكتبات الأمل

HEALTH/SCIENCE

Bandage Therapy A New Technique To Save Lives

By Warren E. Leary
New York Times Service

WASHINGTON — It is a common, but still horrifying, image. A traffic accident, a shooting, a fall or a stab. And the victim lies dead in a pool of blood, life drained away by severe hemorrhaging that could not be stopped in time.

Blood loss through injuries claims tens of thousands of lives each year, but researchers are working to change that by developing a new type of bandage that clots blood instantly. Scientists with the American Red Cross have teamed with U.S. Army researchers to produce bandages and other dressings that they say can seal a severe, bleeding wound in seconds with a tough, artificial seal.

After about eight years of research in the laboratory and with animals, the researchers say the sealants are almost ready for human trials. If the dressings prove effective and safe in the real world, scientists say, they could radically change emergency treatment for civilians and soldiers, saving thousands of lives now routinely lost. They foresee that these dressings will be carried not only in ambulances, but also in police cars, fire trucks and other emergency vehicles that arrive first on trauma scenes.

"Fifty thousand people in the United States bleed to death each year, 30,000 in hospitals and 20,000 in the streets," said William Drobach, director of the plasma development branch of the Red Cross's Jerome H. Holland Laboratory for the Biomedical Sciences in Rockville, Maryland. "We think we can make a difference in this with something very simple, something so practical it could be available and used almost anywhere."

The military interest in an improved field bandage is also obvious. Mr. Drobach said. Of the soldiers who die on the battlefield, 50 percent bleed to death, he said, and having soldiers carry clotting bandages as part of their gear could increase their chances of survival.

Barbara Alving, a blood expert with the National Heart, Lung and Blood In-



stitute, said that if the new bandages proved effective, they could have a big impact upon emergency care. Doctors may see fewer patients who have gone into shock from blood loss, but may also see an increase in severely injured people who otherwise would have died before reaching the hospital, she said.

The idea is to take two human blood plasma proteins, fibrinogen and thrombin — key components in stopping bleeding — and concentrating them at the site of the wound to speed the natural clotting process. While the concept is not new, finding a practical and safe way of doing it has challenged scientists for decades.

The army worked on blood-clotting bandages during World War II, but abandoned the effort for two reasons. It could not find an efficient way to mass-produce the clotting proteins from plasma, the clear liquid part of whole blood where they are found. More important, army doctors found that diseases like hepatitis could be transmitted through infected plasma and plasma products, and the technology did not exist to purify contaminated blood.

Technical advances in blood work, brought on in part by recent efforts to cleanse blood products that might be contaminated with the virus that causes

AIDS and by the discovery of new ways of isolating fibrinogen and thrombin from each other until they are needed, have opened up new approaches to making clotting dressings, scientists say.

With support from the army, the Red Cross has developed methods, for which it is seeking patent rights, to bring clotting ingredients together in several forms to make easy-to-use sealants for different types of wounds.

Most of the effort has gone into a bandage, embedded with clotting proteins, that is pressed into a wound and held in place for a couple of minutes. The researchers have also developed a self-expanding sealant foam that can be propelled from a container into deep wounds or the body cavity to contact internal bleeding sites. And, the team is investigating a dry spray that would be squirted on a large, open wound or a burned area.

The researchers said human trials of the bandage were about a year away. Negotiations are under way to find a manufacturing partner to make the bandages for the tests. If successful, the bandages could receive Food and Drug Administration approval as a medical device in three to five years, they estimated. Human tests of the fibrin sealant foam are at least another two or three years away, they added.

Vigilance Against Cancer

Firsthand Proof of the Importance of Breast Biopsies

By Jane E. Brody
New York Times Service

NEW YORK — Ten years ago I wrote a column that might have been called "the myth of the negative mammogram," in which I discussed the fact that 10 percent to 15 percent of breast cancers do not show up on a mammogram and cautioned women that any suspicious area in the breast should be biopsied even when the mammogram was negative.

Last month, I became living proof of the value of that advice. I'd been having annual mammograms for about 13 years with no evidence of anything wrong. Likewise at my exam this year, my radiologist for the last eight years, Doreen Liebeskind, delivered the news that my X-rays looked fine. But this time I feared something was the matter.

The matter was an area of thickening in my left breast that we'd been watching for years. My mammograms were consistently negative and sonograms had shown nothing more than fibrous tissue, a normal aberration common in many women. But from time to time the area hurt and it had been especially painful two weeks earlier.

I had begun to wonder how I would know if something went awry. Even if I suspected all was not well, would I fail to act after being reassured for seven years that there was nothing to worry about?

Then Dr. Liebeskind did a manual exam and said, "It feels a little different from last year. A little more nodular. Let's get another sonogram." When she compared my sonogram to the one taken last year, she said, "There's something new there now, and I think we should do a needle biopsy and see what it is." Guided by ultrasound, a thin hollow needle was inserted into the suspicious area and cells were sucked out for microscopic analysis.

It was all so swift and matter-of-fact that I wasn't even scared when Dr. Liebeskind said she saw something in the cells that wasn't quite normal. She handed over the slides of my breast cells to Grace Yang, cytopathologist at New York University Medical Center. Several years ago, Dr. Yang developed a rapid stain technique that enabled her to make a diagnosis within 10 minutes — no three

days of agonized waiting for biopsy results. I don't know why her technique is not used everywhere by now.

Dr. Yang was also matter-of-fact. "This is cancer," she said, tempering her grim report with, "But you're very lucky. It's small, one centimeter, and very early and of low nuclear grade, meaning it's not an aggressive cancer." Surgery a week later and a complete microscopic analysis of the tumor and lymph nodes into which my breast drains confirmed her diagnosis.

I was very lucky, if someone with cancer could ever be considered lucky. My chances are better than 95 percent that the surgery — a lumpectomy and sentinel node biopsy — and subsequent five weeks of radiation (five days a week) will be a permanent cure.

In a lumpectomy, the surgeon removes the tumor and a small amount of surrounding tissue, and the sentinel node

mammography is one of the main reasons for the declining death rate from breast cancer. The other factors are the widespread use of radiation therapy for five or six weeks following a lumpectomy and postoperative chemotherapy, which, depending on the cellular nature of the tumor, is now often given even when there is no evidence that cancer has spread beyond the breast if the tumor is larger than mine or there are indications that it is more aggressive.

Mammograms are lifesaving, and I will continue to have them annually. But as with the recently removed tumor, I will not rely on them 100 percent. If something feels wrong, I will make sure to have it examined by ultrasound and biopsied if there is a suspicious lesion.

Dr. Liebeskind told me in 1988: "Every lump should be biopsied unless it disappears on its own in a month or two or it is shown to be a benign fluid-filled cyst that collapses and does not recur when the fluid is removed."

A mammogram alone cannot distinguish between an innocent cyst and a cancer. If ultrasound is available, it can show if the cyst is filled with fluid, and guided by ultrasound, a needle can be used to suck out the fluid. Despite the value of mammography, a negative mammogram does not rule out cancer. Mammograms are most likely to miss cancers in women under 50 who have dense breast tissue. Breast size, however, is not a factor.

Although annual mammography is not recommended before age 40 (except, perhaps, for women with a strong family history of early breast cancer or who carry genes that place them at high risk of cancer), many radiologists recommend that a baseline mammogram be done at age 30 or 35, when everything is likely to be normal. That way future deviations from normal will be easier to spot.

Too many women with worrisome lumps are falsely reassured by doctors when their mammograms are negative. Some are advised to return in three or six months for another look, but others are not examined again for another year. One of my friends who had a mammogram-negative lump was followed for a year with periodic mammograms before her doctor decided to do a biopsy, which revealed a cancer.

Many radiologists recommend a first mammogram be done at age 30 or 35.

biopsy removes only those underarm nodes into which the breast drains. And just to be sure, since my tumor cells, like those of most breast cancers, respond to estrogen, I'll be taking the anti-estrogen drug tamoxifen for the next five years.

Just last year, a major study showed that tamoxifen reduced the risk of breast cancer recurrence and the chances of developing cancer in the opposite breast by about 45 percent.

My experience should in no way discourage any woman from having regular mammograms. My advice is also the recommendation of the American Cancer Society and the National Cancer Institute: an annual mammogram starting at age 40. Mammography is an excellent surveillance tool that can detect 85 percent of breast cancers. It can pick up tumors when they are too tiny to be felt, before they have spread beyond the area where they arose, when the potential for cure is greatest. Early detection through

Antarctica's Cauldron of Evolution

By Carol K. Yoon
New York Times Service

NEW YORK — Miserably cold, dark for three months of the year and crowded with icebergs, the Antarctic seas hardly seem the sort of place to look for an overabundance of life. But in these frigid waters at the bottom of the earth, scientists are uncovering what appears to be an evolutionary explosion that has generated an impressive array of cold fish.

Millions of years ago, thick-bodied, bottom-feeding fish swam these icy waters almost alone. Since then, new research suggests, these fish diverged, or radiated, into a number of evolutionary lines, each exploiting one or another of the cold sea's surprising variety of environmental niches.

The result is a menagerie of cold-blooded descendants that vary in size and shape, from small, schooling, herring-like fish to 250-pound-sharklike creatures. So far the number of Antarctic notothenioids as these fish are known, is at 94 species and counting, with the last two species discovered just a few months ago. (Anyone who has eaten Chilean sea bass can claim to have sunk their teeth into a notothenioid, the bass being one of few non-Antarctic members of the group.)

So diverse are these fish that biologists have compared their evolutionary radiation to that of the cichlid fishes of Lake Victoria, a group of hundreds of closely related but highly diverse fish that have evolved to exploit every nook and cranny of the lake, and Darwin's finches, the similarly renowned, diverse birds of the Galapagos Islands.

For evolutionary biologists, the pace of discovery suggests that Antarctica is far from the barren wasteland, devoid of noteworthy diversity or evolutionary experimentation, that it had long been assumed to be.

"It's an incredible rate," said Joe Eastman, an anatomist at Ohio University's College of Osteopathic Medicine, who caught the new species. Trawling in the Ross Sea off a research vessel from the National Science Foundation's polar fleet, Mr. Eastman said he also caught

two new species of another group of fish as well, bringing the total to four new species in just 18 trawls. "All this makes us think we don't have quite the understanding of the Antarctic fish fauna that we once thought we had," he said.

Researchers say interest in the area is growing as scientists working there discover evidence for what appears to be evolutionary radiations in other groups, including crustaceans and another kind of fish. This May, in Brazil, the Scientific Committee on Antarctic Research will hold its first conference on the evolutionary biology of Antarctic organisms.

Of the two new notothenioids discovered, one was found living in a sponge bed on the ocean bottom, where fish swim among sponges that can grow two or three feet tall. The other fish apparently feeds in shallow waters.

These latest finds join a host of odd relatives unique to the Antarctic. There are lethargic, dumpy-looking bottom feeders similar to a catfish, and fish that live a bit closer to the surface, as had-dock do. There are large, streamlined predators that have evolved a variety of sharklike features, including a skeleton made of cartilage instead of bone.

There are fish that can only be found living beneath the solid ice in a jumble of what look like ice chips from a hotel ice dispenser, and icefish, so-called because of their ghostly white appearance. To keep their blood from becoming too viscous in the cold, icefish adapted by losing their red blood cells; now, they must rely on the dissolved oxygen in their blood plasma.

Researchers theorize that Antarctica's very barrenness may have made it the perfect playground for evolutionary experimentation. The first required element for an evolutionary radiation is a complex habitat ready to be filled with a new suite of species.

The once empty Antarctic seas provided just that, said Andrew Clarke, a marine ecologist at the British Antarctic Survey, a government research agency in Cambridge. "You've got a habitat as varied as anywhere else," he said, "Underwater there are ice canyons, flat areas, steep cliffs." In addition, there are fish-friendly habitats like sponge beds

similar to coral reefs and other growths known as bryozoan gardens.

The other required element for a good evolutionary radiation is isolation from habitats full of other organisms, something provided in abundance by the pattern of currents around Antarctica and its extreme cold. The original notothenioids that swam the frigid Antarctic waters had a lot of time and space to themselves. The isolation makes the area "an ideal place to study evolution," said Guido Di Prisco, a biochemist at the National Research Council in Naples who studies icefish. "Those who are in stay in and those who are out stay out."

Researchers speculate that an important reason the Antarctic seas are full of notothenioids, rather than some other kind of fish, was the fact that they evolved antifreeze proteins that keep their body fluids liquid and prevent the fish from turning into blocks of Antarctic ice.

"It's a key innovation," said Mr. Eastman of Ohio University. "Without it, they're dead. A lot of times it's hard to devise a test to prove that something you think is a key innovation actually confers an important advantage. That's not the case here."

ARTHUR DeVRIES, a marine biologist at the University of Illinois at Champaign-Urbana who has studied these proteins for decades, said that over the eons their use has become very fine-tuned. Fish living nearest to the icy surface have about twice as much antifreeze in their blood and more copies of the antifreeze genes in their genome than those that live in relatively warmer, deeper waters.

Now, researchers say, these fish, which have managed to blossom in the frozen remoteness of the Antarctic may be about to come into all too frequent contact with humanity. The Chilean sea bass is reaching numbers low enough to worry conservationists. Mr. DeVries said fishing boats are coming all the way to the Antarctic to fish for the sharklike *Dissostichus mawsoni*, the bass's huge, slowly growing and extremely tasty Antarctic relation.

LANGUAGE

Taking the Litmus Test for Gambling

By William Safire
New York Times Service

WASHINGTON — The Committee to Restore American Values, reports Richard L. Berke in The New York Times, has been asking presidential candidates to take a kind of litmus test. Every Bronx High School of Science graduate knows that litmus is a paper covered with the coloring matter from lichens that stays blue when dipped in an alkaline solution and turns pink when dipped in an acid solution. (Or is it the other way around?)

That scientific meaning of litmus test has been extended to "a criterion that overwhelms all others." To get an illustrative usage of this, I just used my mouse to highlight the phrase and punched the dictionary symbol on my Microsoft QuickSheef. Here's what came up: "The word 'hopefully' has become the litmus test to determine whether one is a language snob or a language slob — William Safire." (Cribbing from yourself is unsettling; what if I made a mistake?)

The testing questions from CRAV ranged from "Would you support a removal of the words 'under God' from the Pledge of Allegiance?" to "Do you believe gun control reduces crime?" Presumably, a "yes" answer to either would turn the paper a hot shade of pink. But the tester that struck me as insightful — a subtler guide to moral-political orientation — was "Do you normally call games of chance gambling or gaming?"

Frank Fahrenkopf is president of the American Gaming Association. As the

lobbyist for the casino industry, he prefers gaming. "It's all wagering," he tells me. He knows I am an anti-gambling zealot, but is willing to take a chance on my redemption. "Around the 16th century, the distinction came about between games where personal skill is involved and games of chance. For example, playing poker is gaming because it takes personal skill. Gambling is where there is no skill involved — like picking a horse."

"When Nevada legalized gaming in 1931," Fahrenkopf, a native Nevadan, continues, "most of the games involved skill: table games, like cards and dice. From the start, it's been the Nevada Gaming Commission. But a change has come about in the last 10 or 15 years because the big games are games of chance — that is, slot machines. Now, that's gambling."

It's all gambling, says Tom Grey, executive director of the National Coalition Against Legalized Gambling. "The use of the word gaming is our litmus test. When legislators use it, that shows us they're in the pocket of the casino operators, and they've bought the party line or PR guy's package. The word gaming puts 'foo-foo dust,' as we used to say in the army, on a business that bilks the poor and traps the unwary with 'something for nothing.' That's how you make the wrong disappear. The use of the word gaming is an attempt to make a serious business seem like fun."

Both sides agree: Gambling has a negative connotation; gaming, a positive one. Opponents of lotteries denounce "gambling as public policy"; proponents say "gaming is an enter-

tainment medium." Five will get you 10 that gaming came first. Rooted in the Old English *gamenian*, "to sport, play," it appeared around 1510 to mean "playing at games of chance for stakes," and the person who did it was a *gamester*. In Shakespeare's day, the activity was frowned upon as immoral: Hamlet, thinking about killing King Claudius, thought the best time to consign him to hell would be not while he was trying to pray, but when he was engaged "At gaming, swearing, or about some act/That has no relish of salvation in't."

Not until the 18th century did gambling roll upon the scene. Its earliest slang sense was "cheating at gaming." In 1726, "the Gambling Fraternity" was said to be a term used by those "with a just Derision of their own Villeness."

GENTLEMAN'S MAGAZINE in 1747 updated the earlier term: "gamesters, commonly called gamblers, players, women of the town." The lexicographer Samuel Johnson wrote that *gambler* was "a cant word, I suppose, for game or gamester" and defined it as "a knave whose practice it is to invite the unwary to game and cheat them." It was, as the Oxford English Dictionary later concluded, "essentially a term of reproach."

No wonder the casino operators and lottery advocates scrupulously avoid the word, while the moralists, joined by liberals who see it as regressive taxation, try to jam the pejorative word down the burgeoning industry's throat.

CRAV is right: The word is a sure-fire litmus test.

Keep Your Anger In: It Might Be Good Advice

By Erica Goode
New York Times Service

NEW YORK — "You know what I do when I'm angry? I hit a pillow. Try that," suggests the psychiatrist, played by Billy Crystal, to his New York gangster client (Robert De Niro) in the Warner Brothers movie "Analyze This." But it is bad advice, according to new research by social psychologists.

Though pop psychology books and articles perpetuate the notion that "getting your anger out" is cathartic and can help dissipate hostility, the researchers have found just the opposite: Venting anger on inanimate objects — punching a pillow or hitting a punching bag, for example — increases rather than decreases aggressive behavior.

Even more disturbing, the researchers found, books and articles that recommend "catharsis" as a good method of dealing with anger actually may foster aggression by giving people permission to relax their self-control.

In the studies, which appear in the March issue of The Journal of Personality and Social Psychology, angry subjects

who hit a punching bag were later more aggressive in blasting their rivals in a competitive task with loud, unpleasant noises than subjects who did not hit a punching bag.

But aggression also increased when the subjects, who were all undergraduates enrolled in introductory psychology courses, first read a bogus article describing research purportedly showing that hitting an inanimate object was "an effective way of venting anger."

In one study, participants who read the article were more eager to hit the punching bag than subjects who read a different article debunking the benefits of catharsis. In a subsequent study, participants who read the pro-catharsis article and then hit the punching bag were more aggressive toward partners in the competitive task.

Brad Bushman, an associate professor of psychology at Iowa State University and the lead author of the studies, said he suspected that the subjects, led to believe catharsis worked, kept trying to relieve anger, even after it became clear that the punching bag was not doing the job. "They keep trying to get this emotional release, but it never happens," he said.

BOOKS

BALANCING ACT The Authorized Biography of Angela Lansbury

By Martin Gottfried. 338 pages.
\$25. Little, Brown.

Reviewed by Sara Sklaroff

IMAGINE the frustrations of Angela Lansbury. What must it have been like in 1962, filming "All Fall Down"? You are an accomplished actress with two Oscar nominations under your belt (and another on the way), and yet you are forced to cool your heels while Warren Beatty runs laps around the set to appear out of breath for the upcoming takes.

"We all stood around and waited," Lansbury recalled, "and tried not to look embarrassed for him." Despite Beatty's elaborate, Method-inspired preparations, when it came time to shoot she was "appalled at how there was nothing in his face. It was completely empty." Harsh words from an actress who prides herself on being extremely professional and on having a gift for the work, but she quickly surmises the truth: "Warren's intelligence has seen him through. It has allowed him to have an incredible career."

Such is life as Angela Lansbury, according to Martin Gottfried's authorized biography, "Balancing Act." It means having a career of extraordinary duration — 55 years and counting — but all too

often being considered a secondary, character actor; it means being addicted to work but craving the pleasant toil of housekeeping. It also means desperately wanting to be nice, even when you are extremely effective at being nasty.

Often, too, it has meant acting old beyond her years. By the time she left England for America in 1940, at age 14, with her actor-mother and younger twin brothers, Lansbury had already been designated the family's second adult (when she was 9, and her father died). So she didn't hesitate when her mother, out on an acting tour in Vancouver, wired back to New York: "Pack up the flat, send the boys back to school, and come out to Los Angeles." The rationale — "there's more work here" — proved accurate. A friend got the girl an audition for "The Picture of Dorian Gray," but when Lansbury arrived at MGM she was taken instead to meet with George Cukor, who cast her in her first professional acting role, as the saucy maid in "Gaslight" (1944).

By her early 20s, Lansbury realized that her precociousness was costing her something, though perhaps she saw it only in terms of her work. Katharine Hepburn helped her land a role in "State of the Union," but a series of domineering mother roles followed, most notably in "The Manchurian Candidate," despite her desire for younger, nicer

roles. She also dreamed of performing in Broadway musicals, which appealed to her Cockney music-hall roots.

Lansbury sped back to the East Coast when the chance came in 1963 to work on a new Arthur Laurents-Stephen Sondheim project: "Anyone Can Whistle." She found herself for once acting younger than her age, training hard to keep up with the kids in the chorus. This is where Gottfried's narrative really picks up velocity, too. A veteran drama critic, Gottfried is at his best describing the culture of theater, the experience of being on-stage, what all the concentrated attention of a packed house feels like.

"Anyone Can Whistle" was an infamous flop but a cult classic, and it would lead to two roles of a lifetime. The musical version of "Mame" made Lansbury a leading lady for the first time and combined with her role as the guesseuse Nellie Lovett in "Sweeney Todd," it also made her a Broadway institution.

"Balancing Act" celebrates these victories well, but it offers fewer intimacies of substance. Although there are hints throughout that the family life Lansbury cherishes is in trouble, it is not until close to the end of the book that Gottfried reveals what was really at stake.

Sara Sklaroff, an assistant managing editor of U.S. News & World Report, wrote this for The Washington Post.

Latin America Market Review

Haunted by 'Lost Decade,' Reformists Push Ahead

By Daniel Yergin

IT IS "second thoughts" time again in Latin America. After more than a decade of reform that has modernized and transformed the economies of the region, Latin America is gripped by a downturn that is still spreading and that portends at least a year of slow growth and recession. Led

by Brazil, the overall regional economy could decline by 1.5 percent to as much as 3 percent. Yet, the very extent of reform means that the region is in much better shape — economically and politically — to weather the storm and get back on a growth track than would have been the case in the past.

The trigger for the downturn was the financial contagion that began in Asia, which led investors to dramatically re-

calibrate risk and pull back their investment. This turned Brazil's chronic fiscal problem into a painful crisis that threatens the rest of the Continent.

Latin America's prospects are being made worse by the collapse in the price of commodities — beginning with oil and copper — that remain a leading source of export earnings for many countries. This has hit Venezuela particularly hard. The region is also now

experiencing a growing credit crunch. International credit lines have either been greatly restricted or eliminated altogether. In response, local banks have slashed their domestic lending, which is hitting businesses across the region hard.

Once again, both business and government are asking what has gone wrong. After all, in response to the debt crisis that turned the 1980s into Latin

America's "lost decade," a new consensus took hold. Government domination of economies had gone much too far, and a new frontier needed to be drawn between the overweening state and the private sector. This amounted to a decisive break with tradition. State ownership of large sectors of the economy, combined with protectionism, had been the typical formula. But the debt crisis demonstrated the bankruptcy of

that approach. Countries simply could no longer foot the huge bill.

A massive process of second thought led to a sharp change of direction — toward fiscal discipline, privatization, deregulation, and an opening up toward trade and investment.

All this added up to a far-reaching shift in thinking. "I would never have imag-

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No Steam For Stock Markets

Only Mexico Harbors Hope for Near Term

By Anthony Faiola

BUEENOS AIRES — During much of the 1990s, Latin America's financial centers were home to some of the world's fastest growing stock markets. But in 1999, as the region weathers the aftermath of the currency crisis in Brazil, those same markets appear to have run out of steam, stock analysts say.

In Sao Paulo, epicenter of the Brazilian crisis and home to the largest stock exchange in Latin America, the market has rebounded substantially since nosediving in early January right before the devaluation of the Brazilian currency, the real. But the Bovespa, the key index on the Sao Paulo Stock Exchange, remains well below its high of July 1997, and analysts predict that the worsening recession in Brazil will keep a lid on stock growth there for most of 1999.

Things do not look much better for most other major South American stock exchanges, including the continent's second largest, in Buenos Aires, where experts are also predicting flat to de-



clining performance for the rest of 1999. In the region as a whole, however, there could be one notable exception: the stock market in Mexico, which has fewer ties to Brazil and is more driven by the healthy economy in the United States.

Without doubt, the biggest reason for the cooling of South America's stock markets remains "the Samba effect" from Brazil's financial turmoil. In January, Brazil was forced to devalue its currency — which has since fallen by almost 40 percent — after a loss of investor confidence in its solvency triggered a huge wave of capital flight. Since then, Brazil has been forced to keep interest rates as high as 39 percent to steady the currency. Together, devaluation and high interest rates are triggering a deep recession, which is spreading to other economies in the region.

Though analysts say the regional downturn probably will not be as severe as the fallout from the Mexican peso crisis in 1994, corporate earnings throughout South America will still be stung from higher borrowing costs and weak consumer demand. "The effect of the recession will keep earnings down," said Constantin Jansco, an economist with MCM Consultants in Sao Paulo, "and I would not expect to see any major stock rallies, or levels that are substantially higher than they are now."

Other factors are hurting Latin American companies, too. Particularly in Chile and Venezuela, weak prices for regional commodities such as copper and oil are taking the wind out of the sails for many stocks that were hot sellers this time last year. And though political stability remains a key selling point for

most of Latin America, social unrest has again been heating up in Paraguay, Ecuador and Venezuela, increasing investment risks in those nations.

But most eyes right now are on Brazil, the region's largest economy — nearly twice the size of Mexico's. Following the real's devaluation, the key index on the Sao Paulo Stock Exchange has gained around 40 percent as the weaker currency suddenly made Brazilian stocks a bargain in dollar terms.

But those big gains are not considered likely to be mirrored in the months ahead. "There was some initial buying because the stocks were suddenly so cheap, but that has quieted now," Mr. Jansco said. He added that industries likely to be hurt the worst were automakers and electronics companies, which are expected to feel the sting from weak consumer demand. But Mr. Jansco said companies that rely heavily on exports, including some agricultural businesses, may fare better. Indeed, the devaluation has made Brazilian exports far more price competitive with those in Asia, which went through devaluations months earlier.

Brazil is facing a series of tests in the coming weeks that will help to determine how quickly it may emerge from its crisis and whether investors eventually change their minds about Brazil. Brazilian authorities are still renegotiating the terms of its \$41 billion loan package headed by the International Monetary Fund and the United States. As part of those negotiations, Brazil is expected to announce further cost-cutting measures soon aimed at slashing its bloated budget deficit — now more than 8 percent of GDP.

If proposed and later approved, those measures will help reassure investors that President Fernando Henrique Cardoso is serious about his promise not to

default on its foreign debt, potentially fueling some late-year gains in the Bovespa, analysts say.

In Argentina, Latin America's third largest economy after Brazil and Mexico, analysts are generally bearish on the immediate growth prospects for the Buenos Aires Stock Exchange. From a high of more than 800 in November 1997, the key Merval index is now at about 410 — down about 9 percent since the Jan. 13 devaluation of the real in Brazil.

IN the aftermath of Brazil's devaluation, prices of Argentine products have soared to uncompetitive levels in Brazil, cutting into corporate earnings in export-dominated industries such as auto manufacturing. "Even though I don't see a devaluation risk in Argentina, there are close links to Brazil, and that is going to hurt company profits," said Matias Silvani, an economist with Citibank in Buenos Aires.

Still, Mr. Silvani said there might be some room for stock growth for newly aggressive Argentine companies such as the oil giant YPF SA, which has undertaken a fast-paced global expansion to tap markets abroad — something that will help it cope with low oil prices.

In Mexico, however, the picture is brighter. Analysts agree that Mexico, part of the NAFTA trading bloc with the United States and Canada, has little exposure to the Samba effect.

Economic analysts predict that the Mexican economy may slow only slightly in 1999. Already, Mexican interest rates, which had soared to as high as 47 percent, are down below 30 percent and should continue falling, experts say.

ANTHONY FAIOLA is The Washington Post's South America correspondent based in Buenos Aires.

Little Fear By Direct Investors

Flows From Abroad Appear to Be Stable

By Conrad de Aenlle

LONDON — While money has been fleeing Latin America's stock and bond markets, direct investment by corporations has shown more resiliency.

Take Telefonica SA, one of the region's largest sources of foreign capital. After pumping more than \$10 billion over the last decade into companies in several countries in which it has significant interests, the Spanish phone company plans to spend \$1.8 billion this year in Brazil — to add nearly 3 million fixed lines and mobile connections in three states — and has earmarked additional money for a number of other places.

There may be some "fine-tuning" of its investment plans, a Telefonica spokesman said, "but there is such a backlog of demand for telephone services in Latin America."

"Even though there's a crisis," he said, "when people have the opportunity to get a phone line installed, they're not going to pass it up."

Flows of direct investment are far more stable because companies make plans based on long-term assessments of a market's business potential, rather than short-term considerations tied to economic cycles. If portfolio investment flows like waves on a stormy sea, direct investment is like the still waters that run deep.

"Direct investment is different from portfolio investment," an investment banker specializing in Latin America for Salomon Smith Barney explained.

"When you have these crises, it's not necessarily that tomorrow you see a change in flows. The crisis has had an impact on real economic growth and interest rates, but a lot of European companies are taking a longer-term view. A one-year cyclical downturn is not going to affect investment in the long run."

He was alluding to another key difference between the two types of investment. Americans dominate Latin American stock and bond trading, but not direct investment. In fact, European companies have begun to pour more money into Central and South America than their American counterparts.

In the 1980s, between 30 and 40 percent of American foreign investment went to Latin America. In 1997, the most recent year for which the Organization for Economic Cooperation and Development had compiled figures, it was only 19 percent.

During the same time, many European countries devoted an increasing portion of their investment to Latin America, notably Spain, Portugal and Sweden, for which the region accounted for more than 40 percent of total foreign investment.

Telecommunications, a cornerstone of the privatization programs of many governments in Latin America, consumes much of the European money sent there. In addition to Telefonica, big investors include Telecom Italia SA, Portugal Telecom and the Swedish firm L.M. Ericsson AB.

Other industries that receive heavy investment include energy, electricity, automobiles and financial services. As with telecommunications, Spanish companies have been among the most active investors in Latin American banks and utilities, a reflection of cultural, linguistic and historical ties.

A curiosity of the emerging-market crisis is that direct investment in Latin America shot up 43.5 percent in 1997, according to the OECD, mainly because investors curtailed programs in Asia, the first region hit by currency devaluations and economic contraction. Now that Asia is recovering, or at least stabilizing, and Latin America has become the focus of greatest concern, Latin America could

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LATIN AMERICA MARKET REVIEW / A SPECIAL REPORT

Free-Trade Fever Grips an Ever Ambitious Continent

By Aline Sullivan

SANTIAGO — The hullabaloo surrounding the European Union's move to a single currency has obscured the strengthening of a similarly effective trade bloc in Latin America.

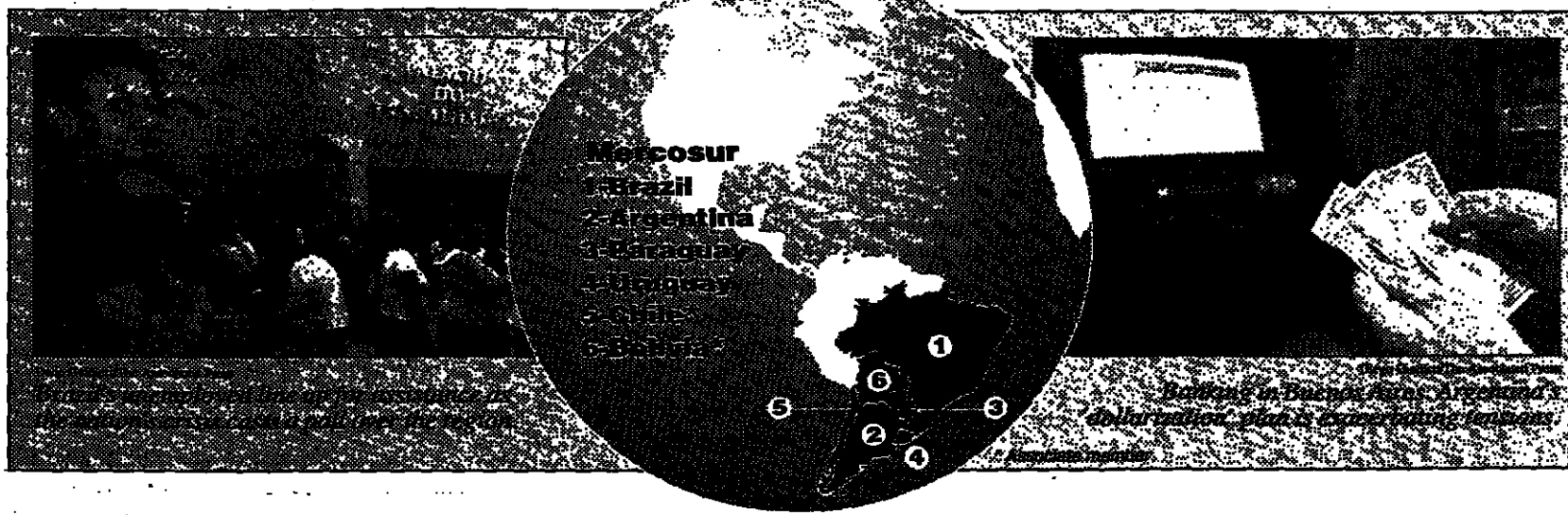
Mercosur, which groups Brazil, Argentina, Paraguay, Uruguay and the associate members Chile and Bolivia, recorded \$20 billion in internal trade last year, making it the world's third largest trade bloc after the European Union and the North America Free Trade Agreement. Moreover, it is potentially the fastest growing.

Agreement on combining Mercosur with the Andean Pact, which includes Venezuela, Colombia, Peru, Bolivia and Ecuador, is widely expected by Sept. 30, paving the way for a free-trade zone that would span South America by 2000.

The next step is even more ambitious. Mercosur members are in talks to create a Free Trade Agreement of the Americas, or FTAA, a single market of 800 million people from Patagonia to Alaska. In theory, the FTAA could be operating by 2005. Right now, however, the going is tough.

Brazil's financial crisis has cast a pall over the entire Mercosur region. Argentina in particular is worried that exports from Brazil, made dramatically cheaper in recent months by the devaluation of the Brazilian peso, will devalue its economy.

They have good reason. Local busi-



ness newspapers are reporting that Argentine exports to Brazil plunged 40 percent in the first three weeks of February compared with the corresponding period last year.

Brazil, which normally runs a trade deficit with Argentina (allowing for Argentina's only significant trade surplus), instead posted a trade surplus for the same three weeks this year. Argentina's fierce determination to maintain the value of its own currency, to the point of proposing a plan to adopt the U.S. dollar, has only exacerbated its differences with its huge neighbor.

The move to "dollarization," like the plan Argentina vetted two years ago to create a regional currency, the so-called gaucha, appears to be an idea ahead of its time. The reception to it from U.S. monetary officials could be described as lukewarm at best. But it nevertheless ranks many Brazilians who feel that Argentina is trying to distance itself from its Latin American neighbors.

"Mercosur is in a great deal of trouble right now," said Jaime Louyza O'Connor, head of financial operations at Chile's largest pension fund, Provida SA. "Everyone is waiting to see if Brazil

and Argentina can settle their differences."

It has been done before. Argentina and Brazil have at many points in the past 400 years regarded each other as potential enemies. Increased economic ties, starting in the 1970s and culminating in the creation of Mercosur in 1991, ushered in a more peaceful era.

No one is suggesting the possibility of a return to old hostilities. But the economic crisis is severely testing the countries' relations. As Mercosur has not yet developed formal institutions for resolving disputes, its future depends on the

personal relationship between the leaders of its two biggest members, Presidents Fernando Henrique Cardoso of Brazil and Carlos Saul Menem of Argentina.

There is a lot at stake. Brazil's economic crisis is already complicating talks between Mercosur and the European Union and United States as well as with its Andean neighbors. Some economists note that there is little incentive for other countries to concern themselves with trade agreements in a part of the world where trade is drying up. Any damage to the Mercosur pact could de-

state international confidence in the region.

Talks between the two presidents got off to a rocky start in Uruguay last month because of a widespread perception in Argentina that Brazil failed to comply fully with Mercosur rules and advise its partners of major economic policy changes before the devaluation. Brazilians were similarly nipped by what many perceived as meddling. At the height of the crisis, President Menem suggested that Brazil emulate his economic success by adopting a one-for-one dollar peg, known as a currency board.

Relations have dramatically improved since then. Brazil agreed to scrap low-cost financing on consumer goods (but not on capital goods) while Argentina has confirmed that it will not impose quotas on Brazilian imports, despite the best efforts of some business lobbies.

The leaders of both countries have repeatedly and loudly pledged to maintain and advance Mercosur.

Indications are that Brazil and Argentina will resolve their differences. Government officials have acknowledged in recent weeks that the bantering they received in the world economic markets had made them more aware of the value of free trade. Sooner or later, they say, these hard times will pass and Mercosur and its members will be the stronger.

ALINE SULLIVAN is a free-lance journalist based in Greenwich, Connecticut.

High Expectations for Gas and Power Market Growth

By William Durbin

WILL Latin America continue to provide significant opportunities for energy investors in light of the current economic troubles?

In recent years, investors have poured money into privatized oil, gas, and electric power assets. And they are putting billions of dollars into projects that will create a new cross-border "gas and power" business that, in turn, will become the foundation for an integrated, regional energy economy.

But now the region is experiencing yet another round of economic volatility. The devaluation of the Brazilian real has served only to fuel skepticism about the promise of the region, one that has a long

history of economic and political crises. Are the skeptics right this time? This is a critical question in light of Brazil's efforts to get its privatization program back on track and as Mexico prepares to privatize its electricity sector.

To be sure, investors need an extra dose of prudence right now. They need to carefully assess markets and risks. Yet, there are three strong forces that will likely overcome reticence to make energy investments in a region that has experienced two major currency devaluations in five years.

• Demand. Perhaps most important is that power demand has grown by nearly 5 percent per year from 1990 through 1997, and is expected to continue. For natural gas, the power sector is expected to increase demand as developers seek low-cost fuels to help reduce air pol-

lution and improve competitiveness.

• Infrastructure needs. The rapid demand growth has highlighted the need to attract billions of dollars per year to rapidly expand generation, transmission, and distribution infrastructure for the power sector, and reserve development, processing plants, pipelines and distribution systems for the gas sector.

• Market transformations. Latin America still supports the establishment of market-oriented systems to attract private investment capital to meet growing energy demand and energy infrastructure investment requirements.

Though these are positive elements to attract investors, the specter of losing between 30 percent and 50 percent of the value of an investment to devaluation is a strong disincentive. Of course, some of the devaluation effect can be offset by

efficiency gains, reducing losses, and growing the customer base. But investors may bid sharply lower for assets undergoing privatization to protect themselves from devaluation, potentially lowering revenues for governments.

Is the current economic volatility serving to sharply reduce demand? Surprisingly, not yet.

Mexico's power demand has, for instance, averaged nearly 6 percent during the last three years; Brazilian residential and commercial power demand averaged 7.8 percent growth during 1998; and even Argentine power demand averaged over 6 percent per year during the last three years. This growth highlights the need for governments to continue to attract private investment capital.

Though there are few natural gas markets in Latin America with significant gas

consumption, several markets are expected to grow rapidly: Brazil, Mexico, Colombia, Central America, Chile, Peru and Ecuador. One reason is the turn to less capital intensive and more environmentally sensitive gas-fired capacity.

Many of the known gas reserves in Latin America are distant from end use markets. For instance, the lack of developed gas reserves in southern Brazil is requiring the development of multibillion dollar pipelines from Argentina and Bolivia to develop domestic demand.

As natural gas breaks into new markets or expands into existing ones, it finds itself in the position of "the last fuel to market," competing with other "established" fuels. As a result, buyers may not be willing to sign long-term contracts that may be necessary to fi-

nance the big pipeline project.

Investor interest is most focused by far on the nascent gas market of Brazil, where investments are required in every part of the natural gas business. Large-scale pipelines are being proposed throughout the southern cone as gas producers race to gain access to this promising market.

Though the regional recession is affecting energy demand, the effects are uneven. Together with ongoing structural changes, many energy investors find it difficult not to invest in the region. But the perceived level of risk is reducing available capital. The important question today is, "When will the money return?"

WILLIAM DURBIN is director and head of the Latin America Energy Service at Cambridge Energy Research Associates.

Nobody Yearns for 'Lost Decade'

Continued from Page 8

ined this much change," said Enrique Iglesias, president of the Inter-American Development Bank. "For 40 years following the Great Depression and the second world war, we looked to government to take on the task of reviving our economies. We asked the state to deliver the goods. We asked too much of government, for too long. We had to make a choice. Now, we have taken the sharp turn back to the market economy."

The change was driven not just by intellectual conviction, but also by stark necessity. When Carlos Saul Menem came in as president of Argentina, inflation was running at 20,000 percent a year, the economy was contracting, and food riots were taking place in the street. Stabilization has brought efficiency and dynamism to Latin American business, as well as a great inflow of foreign investment — though a flow that few figured could change direction so rapidly and with such fury.

Still, the region was not prepared for the lacerating effects of the current global contagion. At the center is Brazil, which appeared poised to live up to its great potential. But Brazil's great vulnerability was — and continues to be — its fiscal deficit, which has led to the huge public sector debt. The contagion turned a bright searchlight on the debt, which amounts to close to 50 percent of GDP. And both Brazilians and international investors and lenders, fearful of devaluation, started heading for the door.

The consequences of Brazil's fiscal deficit are economic. But the reasons for Brazil's inability to deal with it are political: the weakness of the party system, the weakness of the presidency versus the congress, the weakness of the federal government versus the states. The result

is an inadequate capacity to restrain spending in the face of political stalemate. The social security system provides a particularly dramatic case study. The pension pay-out in 1999 is projected to be \$42 billion, while contributions will amount to only \$7 billion.

With interest rates at 45 percent, Brazil is certainly in for a tough time. "There are two clear paths ahead for Brazil," observed Miguel Bachrach, a partner in Pareto Latin American Partners and a former economist at both the World Bank and the Inter-American Development Bank. "One is to slide back into entrenched high inflation, which will result in lower growth, greater inequity, and political instability."

"The other path," he said, "is to take the bitter pill and fix the structural problems in public finances — from the social security system to the oversized state bureaucracies. Two or three years from now, you would see an economy growing strongly on a sustainable basis."

The public finances in Mexico, the other major economy in the region, are in much better shape despite the fall in the price of oil. Although oil was providing 40 percent of government revenues before the price collapsed, Mexico has done a remarkable job of diversifying its exports away from oil, on which it had been so dependent at the time of the 1980s debt crisis. Domestic consumption has been one spur to growth. But Mexico is also getting a big boost from geography.

"Poor Mexico," President Porfirio Diaz is supposed to have said a century ago. "So far from God, and so close to the United States."

What was a curse is now a blessing. For Mexico is also benefiting from NAFTA and from its integration with the U.S. economic machine. Mexico is expected

to register lower but still positive growth in 1999, and it could do even better if the United States continues its stellar performance. As the Mexican economist Fausto Alzati summed it up, "We pray for Alan Greenspan every day."

Those prayers seem to be spreading, as some people's second thoughts turn to "dollarization" as the antidote to contagion. Some countries, such as Peru and Argentina, are already part-way there. But Mr. Menem is now campaigning for Argentina to go beyond its currency board and give up its own currency altogether and simply use the dollar for everything. That would make the U.S. Federal Reserve the de facto central bank for Argentina and severely restrict Argentina's own ability to manage its way through the business cycle.

The other major response to contagion is to search for some way to modulate panicky and highly destabilizing waves of capital outflow, without deterring investors, who do want the option of taking their money out when they want to.

The downturn adds to the urgency for the critical issues of equity and social safety nets. Latin America still faces great challenges in assuring that the broad population shares in the benefits from the move toward the market and that sufficient investments are made in health and human capital. Yet, what is remarkable is that hardly anyone is talking about backing away from market reform itself. That demonstrates how much progress has been made since Latin America pulled itself out of the lost decade.

DANIEL YERCIN is co-author with Joseph Stanislaw of "The Commanding Heights: The Battle Between Government and Marketplace." He is chairman of Cambridge Energy Research Associates.

Still Plenty of Direct Investment

Continued from Page 8

bear the brunt of any diminishment of foreign investment.

"The fact is that people will hold back initially to find out what the environment will look like," said the Salomon Smith Barney banker, who declined to be identified. "Immediately the amount of transactions you see happening slows down a bit."

That is especially true in more economically sensitive industries like car-making. With recession looming, he said, "a car company wanting to go into Brazil as a platform into Latin America is not going to build a plant." Even if it wanted to build the plant, it might have trouble securing the money for it.

"Banks that have been active in Latin America face the problem of having to make provisions for bad loans," said

Hung Tran, chief economist at the Dutch bank Rabobank. "It's harder to borrow. Banks tend to be very conservative in terms of granting fresh credits. That probably deters deals being made."

Another potential deterrent originates in bellicose talk in countries such as Argentina, where sentiment exists for erecting impediments to cheap Brazilian imports, posing a threat to the Mercosur common market.

"The introduction of intra-Mercosur trade barriers could do long-term damage by discouraging foreign investment in the region," a report by analysts at ING Barings argues. "One of the main reasons why direct investors have been attracted to the Southern Cone has been the prospect of easy access to the expanded regional market."

So if the hypothetical carmaker cited by the Salomon banker is already reticent to invest in a Brazilian plant, it would be

even more unlikely to do so if it is not certain of being able to sell the cars made there into Argentina without difficulty.

Despite the uncertainties, Mr. Tran said he expected businesses to find more compelling reasons to come into the region than to stay out, if not right away.

"In terms of companies that need to expand their distribution or look at production in South America with a long-term horizon, it's appropriate for them to look at opportunities in several countries in Latin America," he said. "After falls in exchange rates and asset prices in the last two years, prices are attractive, but with the uncertainty and unsettling financial-market situation, everyone is proceeding cautiously. The problem in Latin America is that the whole story has yet to unfold."

CONRAD DE AENLE writes about business and investment from London.

REPUBLIC OF BOLIVIA

INVITATION TO THE INTERNATIONAL PUBLIC NOMINATION AND BIDDING ROUND FOR EXPLORATION AND DEVELOPMENT OF HYDROCARBONS 1999

MINISTRY OF ECONOMIC DEVELOPMENT VICEMINISTRY OF ENERGY AND HYDROCARBONS

As established in The Hydrocarbons Law N° 1689 of April 30, 1996, the Viceministry of Energy and Hydrocarbons (VMEH) invites all interested companies to participate in the International Public Nomination and Bidding Round for Available Areas for Exploration and Development of Hydrocarbons.

This third annual International Public Nomination Round, to be held from May 15th to 25th, aims to attract the nomination of areas for exploration in Bolivia by national and foreign companies. It is estimated that approximately 611,000 Km² of Bolivian territory (55.6%) has a hydrocarbons potential; of that total, only 138,507.8 Km² are currently held under contract and 472,492.2 Km² have been defined as potentially productive areas.

The International Public Bidding Round, is to be held next August 15th, will derive in the signing of joint venture contracts for exploration and development in the areas previously nominated. Contracts will have a duration of forty years. Any interested company, whether it has nominated areas or not can participate in the bidding process.

Schedule:
March 1st - August 15: Data Room opened for consultation (YPFB)
May 15 - 25: Nomination of areas (VMEH)
June 1st: Definition of the sole rating criteria for nominated areas (VMEH)

August 15: Data Room closes. Reception and opening of bids and awarding of contracts (YPFB)
October 15: Signing of joint venture contracts (VMEH)

For further information please contact:
Viceministry of Energy and Hydrocarbons
Phone: (591 2) 374050 Ext. 118
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E-mail: enerhid@ceibo.entelnet.bo

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Phone/fax: (591 2) 374468
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Phone (591 3) 540704
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EDITORIALS/OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The Drug War Has Failed

Almost 70 years after the failure of Prohibition, the much trumpeted "war on drugs," begun in America more than a decade ago, has hugely misfired. "We have a failed social policy and it has to be re-evaluated," says Barry R. McCaffrey, the four-star general in charge of national drug control policy. The booming effect of the failed policy was richly detailed in recent articles by Timothy Egan of The New York Times. School systems deteriorate while tax dollars build new prisons. Municipal police forces have grown so militarized that drug warrants are served in armored personnel carriers. Young mothers are imprisoned for years for simple drug possession. Young black males in California are now five times as likely to go to prison as to a state university.

The drug war was created in reaction to a wave of urban violence triggered by crack cocaine that ignited fears that

crack addiction might spread widely. Surveys now show that the use of crack, by about 600,000 people annually, has not changed in 10 years. Nor has the general level of illegal drug use.

The best hope for controlling illicit drugs lies in treatment. Unfortunately, as new prisons have gone up, treatment programs within them have declined. In their obsession to control drug use by making war on it, federal and state legislatures have turned the world's greatest democracy into its largest prison system, where young adults are warehoused and the opportunity to treat them is wasted.

As General McCaffrey says, "we can't incarcerate our way out of this problem." But Americans can, he argues, focus punishment on drug dealers, not drug users, while beginning to treat the hundreds of thousands of people in prison with drug problems.

—THE NEW YORK TIMES

Milosevic Isolated

When negotiations on Kosovo resume in France this Monday, Slobodan Milosevic, the Serbian leader, may find himself isolated in his opposition to peace. The U.S. House of Representatives voted on Thursday to support sending peacekeeping troops to enforce a settlement in Kosovo, removing any doubt about American participation. On Friday the commanders of the ethnic Albanian guerrillas wisely agreed to accept the peace plan proposed by Washington. The European Union and Russia, Mr. Milosevic's refusal to allow international peacekeepers into Kosovo could be the only remaining obstacle. It is crucial that the countries supervising the peace talks remain united, and that NATO sustain its resolve to use force, if necessary, to get Mr. Milosevic to sign a deal.

The ethnic Albanians initially were expected to embrace the agreement, which may prevent the death of thousands of civilians. But they left France with the promise only that they would sign after two weeks of conferring in Kosovo. They now are apparently prepared to do so, thus allowing NATO to unite on the threat of force against Mr. Milosevic.

Richard Holbrooke, the U.S. diplomat, has returned empty-handed from yet another visit to Belgrade, this

time trying to persuade Mr. Milosevic to allow 28,000 NATO peacekeeping troops into Kosovo, 4,000 of them American. Few expected Mr. Holbrooke to succeed, as Mr. Milosevic senses that NATO countries are unenthusiastic about using air strikes. He expects that he can divide the West and win concessions, among them the assurance that he cannot be prosecuted by the war crimes tribunal. The nations supervising the talks should not let him dictate the terms of settlement for a conflict that he began by persecuting Kosovo's people.

The Clinton administration feared that the congressional debate on Kosovo could undermine the peace talks. But Congress had every right to debate this important issue, and the speeches for the most part proved thoughtful and serious. The vote was close but admirably bipartisan, as 44 Republicans supported the resolution. The House seemed swayed by the need to stop the killings, prevent the bloodshed from spreading throughout the Balkans and strengthen NATO as it stands up to Mr. Milosevic. Those arguments should remind the Western nations running the talks of the many good reasons to remain united in pursuit of peace.

—THE NEW YORK TIMES

America Was Wrong

Bill Clinton, in Central America, stirred up a modest storm back home by "apologizing" for the American historical past, in this instance for American support of military rule in Guatemala in the Cold War years. In this instance he deserves better. His words came fairly in the context of a deserved salute to Guatemalans for showing the courage to confront their bloody past. It was appropriate for Mr. Clinton to add that "support for military forces or intelligence units which engaged in widespread repression of the kind described in the new Guatemalan truth commission report was wrong, and the United States must not repeat that mistake." He went on to list some of the contributions that the United States has made to the welfare of Central America.

Some Americans find it distasteful to be reminded of American Cold War excesses, lest anyone fall into the spirit of moral equivalence and equate the original offenses of the Communist powers with the subsequent Western responses to them. Too many Americans have already convinced themselves that there was no real difference between Soviets and Americans except that the latter somehow won. There is an unbecoming wallowing-in-guilt quality to some of this commentary.

In fact, there was an immense difference between Soviets and Americans, starting with the fact that the Soviets typically acted to constrict freedom, choice and truth and the Americans to broaden these things. There was a global struggle, and the overall American participation requires not apology but a dignified satisfaction. That does not mean that every American act was well chosen to fit this basic condition, or that sponsors and perpetrators of those acts bear no responsibility for them. It does mean that it is right for American leaders and others at the least to make full disclosure and to acknowledge the deeds that at one time were thought necessary

even though they later on were generally disavowed. Guatemala is, if not a special case, a rare one. The United States did not simply support military rule, condoning and even sometimes collaborating in violence with local forces that, once energized, it could not control. It also intervened by a coup a line of political development that might — it's a judgment call — have steered Guatemala away from a civil war that was already being fiercely waged. A double indictment.

Acknowledging his country's Cold War role as Mr. Clinton did in Guatemala clears the air and lets Americans better align the practice of American foreign policy with American ideals.

—THE WASHINGTON POST

Other Comment

Late but Welcome

For the first time since anyone can remember, a U.S. president has done the right thing in Central America. On the last stop of his Central American tour, Bill Clinton told a Guatemalan City gathering that U.S. support for security forces that engaged in massacres, executions, torture and "disappearing" was wrong. Brave people tried to tell the U.S. Congress their harrowing stories, but bold-faced denials were the only response. Now, at last, the United States is admitting crimes and blunders. It is late but welcome.

Mr. Clinton's words startled and pleased nervous Latino politicians presiding over shaky new democracies. They never expected to see Uncle Sam with his hat in hand. They had lived with the Cold War contradiction of the United States preaching democracy while working hand in hand with notorious dictators whose policy was to exterminate any resistance.

—Mary McGarry, commenting in The Washington Post

Yes, People Around the World Need Democracy

By Stephen S. Rosenfeld

WASHINGTON — The political blessings of democracy are manifest, but that leaves many poor countries still worrying whether democracy is a burden to their economic development. This nagging question was tackled in New Delhi last month by a leading student of the affairs of the poor, India's Nobel economist Amartya Sen. There for the founding of a World Movement for Democracy by the U.S. National Endowment for Democracy, Mr. Sen took up the congenial theme of "democracy as a universal value."

He acknowledged the high growth delivered in Singapore by the authoritarian approach identified with former Prime Minister Lee Kuan Yew. But a view of "all the comparative studies together" suggests that there may be no relation between economic growth and democracy in either direction.

Still, none of the policies proven helpful to development — openness to competition, use of international markets and so on — is inconsistent with greater democracy. "Overwhelming evidence" indicates that what generates growth is a friendlier economic climate, not a harsher political system. Democracy has further economic

uses. Mr. Sen noted "the remarkable fact" that in the terrible history of famines in the world, no substantial famine has ever occurred in any independent and democratic country with a relatively free press.

Immense famines have afflicted countries with dictatorial or alien regimes. Dictatorial: the Soviet Union in the 1930s, China from 1958 to 1961 (30 million dead) and the two current cases of North Korea and Sudan. Alien: British-ruled Ireland and India.

Meanwhile, even the poorest democratic countries have avoided threatened famine. The difference is that the democratic places have a responsive government able to intervene to alleviate hunger. India had famines under British rule right up to independence. With the establishment of a multiparty democracy and a free press, they disappeared. What Mr. Sen calls the "protective power of democracy" has spared many countries a "penalty of undemocratic governance."

The pattern extends to Asia's current travails. Mr. Sen believes that financial

crisis in South Korea, Thailand and Indonesia is closely linked to lack of transparency, lack of public participation in reviewing financial arrangements. And once the crisis degenerated into recession, "the protective power of democracy" was simply not available to ensure spreading the burden of a cruel economic contraction.

Such a protective power is of particular importance for the poor, potential famine victims, the destitute thrown off the economic ladder in a financial earthquake. "People in economic need also need a political voice."

With evident pride, he notes that in the mid-1970s the Indian electorate — "one of the poorest of the world" — affirmed its democratic disposition by voting out a government that had proclaimed emergency rule and abridged the people's rights.

As for cultural differences, a common claim is that Asians traditionally value discipline over political freedom. Mr. Sen finds that hard to accept. He is in a position, as few of us are, to range over the texts of diverse Asian cultures and to contend with assorted practitioners and scholars in the field.

His conclusion: "The monolithic in-

terpretation of Asian values as hostile to democracy and political rights does not bear critical scrutiny." Such an interpretation comes from politicians, not scholars. "To dismiss the plausibility of democracy as a universal value on the ground of the presence of some Asian writings on discipline and order would be similar to rejecting the plausibility of democracy ... on the basis of the writings of Aquinas or Plato."

The many merits of democracy, Mr. Sen concludes, "are not regional" in character. "Nor is the advocacy of discipline or order in contrast with freedom and democracy. Heterogeneity of values seems to characterize most, perhaps all, major cultures. The cultural argument does not foreclose, nor indeed deeply constrain, the choices we can make today."

It was a felicitous stroke for the National Endowment for Democracy to recruit Amartya Sen as the herald of its attempt to put achieved and aspiring democrats in closer touch with one another. The Internet makes the mechanics of it easy. The wisdom of the man illuminates the core idea: Democracy is universal.

The Washington Post

Sustainability: Making Globalization Social and Green

By Leon Brittan

The writer is the EU commissioner for external trade.

BRUSSELS — The economic case for pursuing the process of trade liberalization is an overwhelming one. But it is impossible to ignore the fact that, both in Europe and in North America, there are widespread fears of the social and environmental consequences of the combination of liberalization and globalization.

So how can I justify my longstanding call that the WTO launch a millennium round by the end of this year, a call now backed by Japan and most recently by President Bill Clinton, as well as by a growing band of other countries, developing and developed?

I believe that globalization is good for the planet and that growth is essential if we are to achieve the objective consecrated by the Rio conference and by international discussion since Rio — the objective of sustainable development.

By sustainable development I mean sustained noninflationary growth, coupled with social frameworks that each society recognizes as fair, and with a framework both national and international, of environmental norms which ensure that today's growth is not at the expense of future generations. "Sustainable development" is a slogan more often used than applied.

It is extraordinarily difficult to define in domestic policy a simple formula to ensure that economic growth will indeed advance both social welfare and environmental protection. And such a formula can be developed only case by case by each country, so that the contribution the international community can make to sustainable development worldwide, while real, is not determining.

Nonetheless, the European Union takes sustainable development very seriously, and has inscribed the key environmental protection objectives in its revised Treaty of Amsterdam, due to enter into force this year.

It is in the same spirit that I have called for the High-Level Seminar on Environment and Trade that will be held at the World Trade Organization in Geneva this week, back-to-back with similar high-level discussions on development and trade.

Together, these seminars will provide a first opportunity in the history of postwar trade liberalization for all the key players from the 130-plus members of the WTO to ensure that the WTO keeps trade liberalization on track: both increasing the scope of the world's trade and ensuring that the result is better environmental protection worldwide.

The sustainability objective is not yet widely understood. Some developing countries, and some nongovernmental organizations, fear that we are trying to

"greenwash" an ecologically unsound model of globalization. Businessmen fear that we are going to allow eco-protectionists to hobble the WTO talks. These fears are groundless and need to be laid to rest.

To achieve mutual confidence, we need to ensure that trade and environment officials are all involved in setting the WTO agenda. We need to ensure that the sustainability of WTO endeavors is not only guaranteed by our negotiating processes but also explained to our constituencies.

The WTO is good for the planet and needs to be entrusted with a big new round of negotiations. That is the challenge for the remainder of this year.

Nobody believes, of course, that a WTO round can fix all

today's problems in all areas, from child labor to deforestation and global warming. Nor do I believe, personally, that government fiat is the sufficient answer to many of these challenges. We are not trying to turn the WTO into an aspirin for all the world's troubles.

But I do believe that the right mix of trade liberalization, aid to develop regulatory capacity in WTO member countries and flanking policies in fields such as the environment can produce not only rapid liberalization and growth but also a sustained improvement in environmental policies worldwide.

I have commissioned for Europe a sustainability impact assessment, the first results of which will be available by the time we launch the negotiations at the end of this year, and the subsequent output from which will enable us to fine-tune our

negotiating objectives as we go forward. Sustainability assessments really are pioneering work. The academic tools are in their infancy, and our first challenge in Europe will be to establish a good model for our work. But this is not the sort of activity that can wait until a perfect tool exists. In close consultation with all interested parties, we need to make a start on this now.

Here I am confident that your idea's time has come, even if it takes others a few years to realize this. By negotiating for sustainability in the WTO and demonstrating to our stakeholders at home that this is what we are achieving, the process of globalization can be resold to an at present skeptical public opinion, so that once more we generate a stable consensus in favor of open, friendly and rule-based international relations.

International Herald Tribune

A New Britain Is on the Move Toward Big Choices

By Jim Hoagland

LONDON — The renewed force of ideas in British politics is striking for a visitor escaping briefly from Washington's mean-spirited wrangling. This is a society in movement toward big choices. For this visitor, Mr. Blair is winning his campaign to energize the national political discourse and to channel it toward making those choices with uncommon confidence and clarity.

The New Labour prime minister, approaching the end of his second year in power, benefits from a steady, productive economy that recession-struck Germany and unemployment-plagued France can only envy.

Brits lord in their prosperity over the "Continentalists" who until recently were vanishing their good fortune. Gone is most of the dread and doubt about Britain's future that surfaced so spectacularly in the bitter, self-destructive debates over joining Europe that ravaged the Conser-

vative Party under John Major. Mr. Blair, with a solid majority in Parliament, is deliberately but surely moving the controversy of Little England vs. Big Europe out of the realm of ideology into the realm of ideas. The debate now is a much more rational summing up by each side of the benefits and losses for British finance, trade and workers than it was two years ago.

Mr. Blair's commitment to bringing Britain into European monetary union and to adopting its single currency, the euro, is now carved in wet cement. He could still get out of dropping the pound sterling if the euro proves to be a disaster.

But to do so would now be a messy, embarrassing reversal. Mr. Blair personally delivered his government's recent policy statement laying out how Britain will join economic Europe

when (not if) Labour wins another election and a second-term referendum on the euro.

Meanwhile, the Blair government has launched modern Britain's most serious political devolution program, without knowing fully what the consequences will be.

Mr. Blair has promised to give significant powers to regional Parliaments in Scotland, Wales and Northern Ireland. Would English nationalism become a force in politics again, here and in international affairs, if the legislatures then weaken or drop ties to the United Kingdom? I semi-innocently asked that question in one group conversation and a bonfire of articulation erupted about the wisdom of even finding out.

The passion that Americans have poured into discussing the appropriateness of a certain kind of sex in the Oval Office

gets spent here on innovative political programs.

When the national budget was introduced last week, discussion of its details commanded three hours of national television time and a 12-page section in one newspaper. Even anti-Labour commentators congratulated Chancellor Gordon Brown for his Third Way mix of modest tax cuts, targeted economic stimulus devices and mild income redistribution.

"This government is gaining credibility in trying to reconcile the enterprise culture that Margaret Thatcher instilled with the traditional concept of fairness," a British official says. "Our politics used to be about one party coming in and nationalizing everything in sight, and then the other coming in and denationalizing it all. The Third Way is a way to avoid having that and other wasteful arguments dominate our national will."

Professor Lawrence Freedman of King's College, London, observes that "government today does not have the money it would take to reverse the Thatcher legacy" of privatizing British industry. "Blair's instincts in any event are with the country's middle-class, middle-age professionals, who trust him. He has a moral core, even if he is not always sincere."

Despite the rhetorical and personal affinities, there is no resemblance between the solid administration and imaginative governing program that Mr. Blair is running and the shell that the post-Monica Clinton presidency is rapidly becoming.

The Washington Post

Bosnian Serbs Can Help to Guarantee the Peace

By Carlos Westendorp

The writer is high representative of the international community for civil implementation of the Bosnian peace process.

SARAJEVO — On March 5, I fired a president, the leader of the Bosnian Serbs. It was with regret, and as a last resort, that on behalf of the international community I ordered the removal of Nikola Poplasen.

This, together with the decision on the same day not to award the disputed town of Brcko to the Serbs but to turn it into a neutral district, inevitably sparked a degree of turbulence in Republika Srpska.

Slobodan Milosevic sought to capitalize on all this by accusing me of acting outside my mandate. He fooled nobody.

The destiny of the Bosnian Serbs is no longer controlled by Belgrade. Nor would the great majority of the Serbs who live in Republika Srpska wish it to be.

After the Brcko decision, Serbian hard-liners organized two demonstrations in Brcko. Belgrade claimed that the second of these involved an angry mob of 2,000 strong. In reality, the number was 200 citizens, and both were orderly. That is not a revolt but a legitimate expression of public opinion, and I welcome it.

There are signs that matters are returning to normal in Republika Srpska. The National Assembly and the public are beginning to understand why I was forced to act as I did.

President Poplasen had been warned; we spoke to him many times, publicly and in private. But from the moment of his election last September he persistently abused his position to obstruct implementation of the

Dayton peace agreement. Most serious was his refusal to nominate a viable candidate for prime minister. For the last six months, therefore, the National Assembly has been forced to function without one.

It has been evident for many months that only one member of the National Assembly can command a workable majority, and that is Milorad Dodik, the prime minister of the last administration, who has been acting as caretaker. His government has shown a willingness to comply with the demands of the peace process.

Mr. Poplasen, a hard-liner of the old school, responded by refusing to sign legislation legally passed by a majority vote of the National Assembly.

The final straw came when he sought to remove Mr. Dodik on the say-so of a handful of fellow hard-liners. That was nothing short of an attempted coup d'état. It was in no one's interest that Mr. Poplasen remain, which was why I had to invoke my powers under Dayton to remove him. That decision has been further justified by his subsequent call for violent civil disobedience.

The National Assembly initially responded with a vote of confidence in President Poplasen. That response, I believe, was in part based on the widely misunderstood (and wholly unrelated) decision on Brcko. The

vote took place at an emergency session called on March 7, when delegates had barely had time to read the details of this complex decision. The vote came, in other words, not from the heart but from the head.

My office is engaged in an information campaign to explain the complexities of the Brcko neutral district. We are reassuring Bosnian Serbs that the territory of Republika Srpska remains contiguous, that nothing has changed overnight, and that they have nothing to fear. That message is getting through.

The Brcko decision was made by an independent arbitrator, the distinguished American jurist Robert Owen. My office had no influence over its timing or its content. That said, I am convinced that the decision is a just one, favoring neither one side nor the other. The only victors are the citizens of Brcko itself, for whom the decision means an end to three years of uncertainty and opens the door to foreign investment, prosperity and growth.

I understand that Bosnian Serbs may have objections to details of the establishment of the district. That is why I have already met with a specially formed National Assembly commission, and will do so again over the next two months, in order to hear them out. I will of course give the commission's opinion every consideration

when the time comes to set up the new Brcko District Assembly. I am greatly encouraged by the speed with which this commission has come forward.

There are forces at work, both in Bosnia and in the wider region, that would like to see the failure of the Dayton project. Reasoned debate and constructive dialogue — that is the way to ensure that these forces do not prevail.

International Herald Tribune

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1899: Betting Morals

LONDON — The "Daily Telegraph," in a leader on the decision of the House of Commons on racecourse betting, says: "Its stoppage or the annihilation of the great national sport would not tend in the slightest degree to elevate the moral tone of the individual. On the contrary, his attention would be diverted to more reckless and dangerous channels which it would be impossible for any act of Parliament to close."

1924: Patriotic Art

PARIS — [The Herald says in an Editorial:] Mr. James A. Brady has a bee in his bonnet. It is the notion that American singers should predominate in grand opera as presented in New York. But pure Americanism, in any domain of art, is absurd. Art, to be at its highest, must always remain cosmopolitan.

itan. Any American tenor who sings as well as Carnos or Jean de Reske will be enthusiastically received. The inefficient will not, however, be wanted under any possible cloak of patriotism.

1949: Artists Purged

MOSCOW — Soviet writers, artists and musicians continued to cleanse their ranks of "bourgeois nationalists" and "homeless cosmopolitans." Under attack was M. Model, theater critic, who committed two basic errors by praising V. Meyerhold, former director of the Moscow Experimental Theater as "the greatest master of the Soviet Theater," and by favoring production in the Jewish theater of "imperial plays by Abraham Goldfaden." Ukrainian writers unmasked a group of "bourgeois nationalist" writers and critics and "ended their subversive activities."

Herald Tribune

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INTERNATIONAL

Limited Choice On a President Could Doom Australia Vote

By Michael Richardson
International Herald Tribune

MELBOURNE — If public opinion is any guide, a majority of Australians will vote later this year for their nation to become a republic by severing their last constitutional links with Britain, the former colonial ruler.

But disagreements among Australian republicans over how to choose a new head of state to replace Britain's monarch, Queen Elizabeth, and deep distrust of politicians among Australian voters makes it increasingly likely that the referendum in November on the republic will fail.

The latest poll on the issue shows that 51 percent of people are in favor of a republic, compared with 33 percent against. Public support has slipped from 54 percent in September 1997 but has still shown fairly consistent majority backing.

But as a result of a compromise made at a constitutional convention last year, the November referendum will only give voters the alternative of retaining a head of state appointed by the British queen as her representative on the advice of the Australian government, or having a president chosen by Parliament in Canberra.

In the same recent poll, 55 percent were against Australia becoming a republic with a president being chosen by Parliament. Thirty-three percent supported the proposal, and 12 percent were undecided. Republicans are split on how to select a president. Some want the person to be chosen by Parliament. Others, reflecting the tide of public opinion, want a popularly elected head of state as in the United States, France and many other countries. A large number of them say that they will vote no in any referendum that fails to give them this choice.

"Unless there is a dramatic shift in the republican debate between now and November, the referendum on becoming a republic with a president appointed by Parliament will be defeated easily," said Dennis Shanahan, political editor of The Australian newspaper.

Australia is an independent nation, but its constitution is the result of an act of the British Parliament almost a century ago. The government has promised that Australia will have its own president by 2001 if it chooses to become a republic.

Under the republican model being considered in the November referendum, a president would be chosen by the prime minister and the opposition leader from public nominations, and appointed for a five-year term if approved by a majority of members of Parliament.

Prime Minister John Howard is a staunch monarchist, as are most members of the two parties in the governing coalition. Of those government members who are republicans, very few support a directly elected president, arguing that it would upset Australia's Westminster-style parliamentary system of democracy.

Analysts said that this unusual bipartisanship had raised public suspicion that a deal had been struck among politicians in Parliament to protect their power. The Australian said that the outcome of the recent poll on the republican issue "may well be tied into the disillusionment many people have with politicians of all colors because, in the main, they support the parliamentary selection process as it does not threaten their own importance."

Michael Warty, editor of the IPA Review, a quarterly magazine on public policy, said that those pushing for a directly elected president as a manifestation of the sovereignty of the people have a vision that is attractive to many Australians.

"If one wants a constitutional system that expresses a new vision of Australia, then an elected president is the way to go," he said. "That is what the people of Australia clearly believe, and this is how they are going to vote."



GETTING BACK THEIR LAND — Bushmen walking on the dunes in Kalahari Gemsbok Park in South Africa to visit an ancestral burial site. Though much of the country's land redistribution process has been slow, a slice of land is scheduled to be handed back to the tribe next week.

KOREA: Endless Horrors of North Korea Are Pushing the U.S. Toward a Policy Shift

Continued from Page 1

international law. Sources close to Mr. Perry say his recommendations will not move radically toward either fringe. Rather, he is expected to lay out a broad plan of further economic inducements — perhaps even an offer to lift some economic sanctions — as well as stern warnings of harsh consequences for broken promises or continued threatening behavior.

Mr. Perry's deliberations have been complicated by a simple problem: He is trying to prescribe a cure without being able to examine the patient. Mystery continues to be North Korea's most potent weapon abroad. By maintaining a tomblike silence within the country and by refusing to meet most foreigners — and any Americans — Kim Jong Il has kept Washington and its allies off balance.

"The world may be in the midst of an information explosion," but North Korea is a "statistical blackout," said Nicholas Eberstadt, one of the leading American scholars on North Korea. "We have no idea precisely how bad it is inside North Korea. It is somewhere between terrible and catastrophic."

Critical questions remain unanswered: How close is North Korea to possessing a nuclear bomb? How extreme is the humanitarian crisis? Would Kim Jong Il start another Korean war?

But in some ways, information from inside North Korea flows more freely than it did even two or three years ago. More foreign business leaders, aid workers and politicians have been allowed restricted visits. A widening stream of refugees and defectors has also described what the government keeps hidden. Ever more sophisticated surveillance systems record radio and telephone conversations from behind the mine fields and barbed wire. Satellites and U-2 spy planes can tell how many North Koreans it takes to change a flat tire on an army truck, and what tools they use.

The portrait that emerges from these sources is partial, a collection of anecdotes, snapshots and intelligence reports. But its elements reveal the dire conditions inside North Korea and the dilemma faced by the Clinton administration and its allies in designing a new approach at a critical moment.

As North Korea grows poorer, it is increasingly becoming a criminal state, selling anything to make a buck: cocaine, heroin, methamphetamine, counterfeit \$100 bills, bootlegged cigarettes and liquor, illegal ivory and rhino horns. Mr. Perry must now consider how Congress feels about sending millions of dollars in aid to a country that appears to act like an organized crime family.

A recent report by the Congressional Research Service documented at least 30 instances of North Korean diplomats

smuggling drugs. Last year alone, North Korean diplomats were arrested in Russia, Germany, Egypt and Japan on drug-smuggling charges. Japan has seen a sharp increase in North Korean drug-smuggling, last year seizing more than 500 pounds (225 kilograms) of methamphetamine from North Korean ships.

North Korea uses state-run poppy farms to produce heroin. One U.S. official said that when international observers visited the Yongbyon nuclear reactor in 1994, there was a 3-acre (1.2-hectare) poppy field growing "not 10 feet from the front door."

The North Koreans are notorious for the excellent quality of their counterfeit U.S. \$100 bills, known as "super notes," which were part of the reason Washington switched to the new, harder-to-copy \$100 bills now in circulation.

North Korea has stopped paying most diplomats abroad, and that has led to their using their diplomatic privileges to pursue the lucrative illegal trade. North Korean diplomats in Africa have reported being forced to fish for food and to smuggle elephant ivory and rhino horns to raise money. In India, where killing cows is illegal, North Koreans have slaughtered cows in the embassy basement to sell black-market beef.

"The scariest part about North Korea is that any means justifies the end,"

which is survival of the regime, said Katsumi Sato, head of the Modern Korea Institute, a Tokyo research organization.

International aid groups estimate that famine has killed 2 million to 3 million North Koreans since 1995. Intelligence officials and defectors say thousands of North Koreans are now migrating from one part of the country to another, looking for food. Armed soldiers keep them from leaving North Korea altogether.

Refugees who manage to cross the border into China tell horrific stories of starvation. They also describe food distribution determined by political and military connections — raising questions in Congress about whether U.S. aid is reaching those who need it most.

Millions of people live with little electricity or food. Satellite photos taken at night show a land with virtually no electricity outside the capital. Hospitals have almost no food, water or medicine — surgery is sometimes performed without anesthesia in unheated rooms, say foreign officials who have seen the procedures.

An Indian economist, Amarya Sen, in an interview during a recent visit to Seoul, said that despite fears that emergency food aid may be diverted to the military or the elite, cutting it will only hurt the hungry.

"You might as well send food — it does some good for the poor people who are suffering," said Mr. Sen, who won a 1998 Nobel Prize for his analysis of famine. "Any idea that stopping it will weaken the regime is not true. Dictatorial regimes are not strengthened by sending food or weakened by not sending it. They can take a lot of beating of their population. They are quite willing to make sacrifices — just not their own."

That kind of thinking has guided U.S. policy on emergency food aid to North Korea. U.S. contributions rose from \$2 million in 1995 to more than \$170 million last year. But as Mr. Perry weighs how to proceed, critics abound. "The Clinton policy has been a disaster," Mr. Sato said. "It's disastrous not just because the U.S. has given millions in food and aid and gotten nothing back but because the U.S. has given money and support to a country that is killing its own people and is developing weapons of mass destruction to kill even more people."

General Michael Hayden, deputy chief of staff of U.S. forces in South Korea, said the poor state of the economy had probably eroded the overall readiness of North Korea's military. But the general said North Korea was still capable of a quick, massive strike against South Korea that would almost surely involve chemical weapons and 1 million or more casualties.

U.S. officials also say North Korea probably is developing biological weapons. It is believed to have hidden enough plutonium to make one or two nuclear bombs — but whether such bombs exist is an open question. Suspicion about Pyongyang's nuclear ambitions has grown recently with satellite photographs showing thousands of workers swarming around an underground facility that U.S. officials suspect is nuclear-related.

That suspicion is a key reason Congress has demanded a policy overhaul. If Pyongyang does not agree to outside inspections of the site, Congress is unlikely to continue financing the 1994 agreement that underpins current U.S. policy toward North Korea.

KOSOVO: Hard Mood for Talks

Continued from Page 1

Other ethnic Albanian delegates have said the answer will be "yes."

But even as the delegates arrived in Paris, the conflict was again escalating. New fighting was reported on Sunday, after a series of bomb attacks Saturday killed seven people and wounded dozens of others.

If the ethnic Albanians do sign the deal, officials say, then the Serbs will be confronted with a clear NATO ultimatum: Accept the plan within two or three days — and 26,000 allied peacekeepers to enforce it — or risk an allied bombing campaign that could wipe out much of Serbia's air defenses and other sensitive targets within a week.

But on Sunday, the eve of the start of the talks, the ethnic Albanians had still not signed, and the Yugoslav president, Slobodan Milosevic, had not budged from his rejection of numerous appeals by European, American and Russian officials that he agree to take the peacekeepers.

"We want to focus all the pressure we can on Milosevic, and that is handicapped without a clear Albanian 'yes,'" a senior NATO diplomat said.

[The British foreign secretary, Robin Cook, a co-leader of the talks, reiterated Sunday that NATO remained poised to strike militarily if an agreement could not be reached. The Associated Press reported.

[Mr. Cook warned Mr. Milosevic that the Yugoslav government "may have to take the consequences" if it rejects a deal.]

Negotiators from the two republics making up Yugoslavia, of which Serbia



A boy freeing one of thousands of white doves released in Belgrade on Sunday as Serbs left for Paris to resume talks with ethnic Albanians.

is the dominant component, agreed to provisions restoring that autonomy to Kosovo that were worked out in the negotiations last month in Rambouillet, near Paris.

The talks were recessed Feb. 23. Mr. Milosevic has insisted that 2,000 unarmed civilian observers who have been monitoring an unsuccessful ceasefire in Kosovo since last October would be enough to supervise a new agreement.

These observers would have to be evacuated before any bombing campaign could be started, allied military commanders say.

The official in charge of the observers, William Walker, told allied officials Saturday in Brussels that they could be evacuated in 8 to 12 hours, but only if Serbian forces did not try to prevent them from leaving.

"If there's no resolution," an allied official in Brussels said, "and we go in with air strikes, I'm afraid this will end NATO's relationship with the Russians."

"But if we don't go with air strikes, then NATO loses its credibility," he said. Whether Mr. Milosevic, who as Serbia's leader a decade ago abolished autonomy for Kosovo, would back down after an initial salvo or brave a complete phased campaign against his air defense system is unclear.

Allied officials, starting with Secretary of State Madeleine Albright, were surprised by the reluctance of the armed rebels to settle for an agreement that would require them to disband but would ensure an armed international presence for at least three years to keep Serbian security forces mostly out of the province.

Mr. Albright's personal involvement in the Rambouillet talks is now regarded by American and European officials as a risky gamble that backfired.

Javier Solana Madariaga, the alliance's top civilian leader, was given authority at the end of January to launch a two-phase bombing campaign against the Serbs, but only if they were the main obstacle to ending a year of fighting that has killed an estimated 2,000 people and driven 200,000 others from their homes in the province.

If the ethnic Albanians come to the table Monday but do not sign, officials say, Mr. Solana is unlikely to see that as sufficient to order air attacks.

More Albanians Die in Kosovo

Peter Finn of The Washington Post reported from Pristina, Yugoslavia: As Serbian and ethnic Albanian delegates gathered in France to prepare for the peace talks, Kosovo continued its spiral into violence, fear and mourning.

The death toll on Saturday rose to seven after one man died overnight. All seven dead were ethnic Albanian, officials said today, and most of the 58 injured were also ethnic Albanian.

NATO: Russia Unsure How to React to Alliance's 50th Birthday

Continued from Page 1

Council on Foreign and Defense Policy, a group of opinion makers with close ties to the Russian government and military circles.

"We want to have NATO as weak as possible because we are not part of it."

Certainly, the NATO-Russian relationship is troubled. NATO officials and Russian officials meet regularly in Brussels over security policy, and the two sides conduct joint peacekeeping patrols in Bosnia. But they have yet to establish a genuine partnership — and the future of the relationship looks anything but rosy.

Russia is not only trying to blunt any military advantage that the alliance derives from having admitted Poland, the Czech Republic and Hungary. Its longer-term strategy is to discourage the alliance from trying to include the Baltic states, Estonia, Latvia and Lithuania, or other former Soviet-bloc nations by making the process as diplomatically painful as possible — an approach Western officials call the "root-canal" strategy.

Russian anxiety over NATO, by and large, is a preoccupation of its political elite. Virtually nobody in Russia is happy about the alliance's decision to accept new members.

But the issue ranks relatively low on the average citizen's long list of worries, a list dominated by domestic concerns like soaring prices, crime and unpaid wages.

The relatively muted response of

the public is important because that makes it unlikely a rabid nationalist could rise to power on a surge of anti-NATO sentiment, the calamity that many critics of expansion by the Western alliance had said they expected.

Public opinion polls also show that concern over NATO's expansion reflects generational differences. Younger Russians are far less worried than the older Russians who lived through the Cold War — and thus it may fade in time.

But if NATO expansion has not changed the face of Russian domestic politics, it has contributed to the sourness of the West's diplomatic relations with Russia, already under stress from disputes over Iraq, the former Yugoslavia and arms control.

"Foreign policy is always a preoccupation of the elites," said Aleksei Arbatov, a member of Parliament from the liberal Yabloko party and an acerbic critic of NATO expansion.

Much of the West's diplomacy over the last few years has been aimed at preventing the bitterness among Russian politicians from boiling over.

Seeking to ease Russian worries, NATO negotiated a 1997 accord with Russia, called the Founding Act, which set the terms of alliance expansion.

As part of that accord, the West indicated it had no plan, need or intention to permanently station a substantial number of NATO combat forces on the territory of new members or to keep nuclear weapons there.

But the West stopped short of making that a binding, legal commitment.

The agreement also established a new NATO-Russian council, a panel that the Western alliance touted as a sign Moscow was adjusting itself, however painfully, to the realities of an expanded NATO.

Still, the accord signaled little more than a temporary truce. That is hardly surprising, for the debate also reflects Moscow's deeper resentments over its loss of superpower status and over U.S. willingness to use its power in Iraq and Yugoslavia in the face of Russia opposition.

"The real issue is not Poland, the Czech Republic or Hungary," said Toby Gati, a former assistant secretary of state in the Clinton administration. "The real issue is American power. What the Russians do not like is that there is one country which has the capability to act by itself and direct an alliance. NATO expansion is not the defining issue, though it has left the Russians with a bad taste."

The alliance's decision to expand, for example, is not the principal reason the Russian Parliament has yet to approve the START-2 strategic arms treaty.

The failure to ratify the accord has more to do with the U.S. decision to bomb Iraq in December — an attack that took place just days before the accord was to be taken up by the Parliament — and President Bill Clinton's surprise move to press ahead with the testing and development of anti-missile systems.

BRIEFLY

Angolans Fleeing A Rebel Assault

HUAMBO, Angola — Civilians jostled for tickets to board weekend flights leaving the besieged city of Kuito in central Angola as tension grew in the face of a mounting rebel assault, aid workers said Sunday.

The government-held town lies just 100 kilometers (60 miles) south of the headquarters of the rebel National Union for the Total Independence of Angola at Andulo, and in recent days the city has come under increasing attack by rebel forces.

Aid workers were asked to leave Friday by the deputy governor of the area when it became clear government forces were in danger of losing control of the area. (Reuters)

Ethiopia Denies It Launched Attack

ADDIS ABABA, Ethiopia — Ethiopia denied Sunday that it had opened a major offensive along its border with Eritrea.

"There was the usual shelling on Saturday and skirmishing along the Tseorona sector on Sunday, but no large-scale fighting," an Ethiopian spokesman said.

Eritrea had charged that Ethiopian infantry, tanks, artillery and aircraft were being used in a large-scale attack against its forces. (Reuters)

Guatemalan Rebels Apologize for War

GUATEMALA CITY — Former guerrilla leaders have added to a recent stream of regrets from all sides of Guatemala's bloody 36-year civil war, formally apologizing for their excesses and "mistakes."

"With deep sorrow and humility we ask for forgiveness from the memory of the victims, their relatives and the communities that suffered irreparable losses, injustices or offenses," said Jorge Soto, secretary-general of the Guatemalan National Revolutionary Unit, a group of former guerrillas that has registered as a political party.

A truth commission reported Feb. 25th that the group was responsible for 3 percent of the atrocities that were committed during the war, which ended in 1996.

Last week, President Bill Clinton apologized for the U.S. role in backing successive military regimes during the conflict. And President Alvaro Arzu apologized in December for the government's role in the war and called for "national forgiveness." (Reuters)

Ecuador's Congress Takes On Economy

QUITO, Ecuador — Congress was scheduled to meet in an extraordinary session Monday to consider 10 bills that President Jamil Mahuad had drawn up to tackle the nation's economic crisis.

Juan Jose Pons, the parliamentary president who called the session, said lawmakers had 30 days to approve government proposals to privatize state industries in the telecommunications, electricity and oil sectors.

Mr. Mahuad's shock treatment includes proposals to increase fuel and food prices and to raise the value-added tax by up to 15 percent.

Ecuador's banks were to reopen Monday for the first time in 10 days following a huge run on deposits this month. (AFP)

For the Record

Prince Charles of Britain flew to the Falklands over the weekend for a visit to the islands that sparked war with Argentina in 1982. (Reuters)

Taleban and Opposition Agree To Share Power in Afghanistan

Reuters

ASHGABAT, Turkmenistan — The warring factions in Afghanistan agreed Sunday after three days of UN-mediated talks to share power and try to forge a permanent cease-fire.

Representatives of the governing Islamic Taleban militia and the opposition coalition based in northern Afghanistan said at a news briefing in Ashgabat, the capital of Turkmenistan, that they would meet again in Afghanistan in about two weeks to work out the details.

"In order to join both the groups, we have agreed to have a shared executive, a shared legislature and a shared judiciary," said Wakil Ahmed Muttawakil, the leader of the three-man Taleban delegation. The agreement also called for the exchange of 20 prisoners each.

Despite the broad nature of a statement released, both sides were optimistic.

"I am optimistic and hopeful that at the next round of talks we will be able to announce a permanent cease-fire in Afghanistan," said Mohammed Younis Qanouni, head of the opposition's four-man negotiating group. He added that the atmosphere of trust established at the negotiations had led him to believe that a joint government and an end to the fighting were within reach.

Mr. Muttawakil also was upbeat, saying that a permanent cease-fire would

automatically follow any establishment of a shared power structure. "When we agree on the details and personnel of the government, then we can agree to have a cease-fire," he said.

The delegations added that any shared power structure would represent different ethnic groups. The issue of how the government would be divided between them had yet to be finalized, they added.

Mr. Qanouni said autonomy for some ethnic groups within Afghanistan was not currently on the agenda. "Our definition of a broad-based government means a strong central government where everybody is represented," he said.

Meanwhile, a senior UN official arrived in Kabul to discuss security arrangements for the return of international staff to the war-torn nation.

"The UN international personnel are back to Afghanistan from today," Michael Sackett, a director of the UN World Food Program for Afghanistan, said Sunday at the airport in Kabul. About 40 UN staff members were evacuated from Afghanistan in August after the U.S. missile attacks against Osama bin Laden's bases in eastern Afghanistan and the murder of a UN military adviser.

The United States contends Mr. bin Laden organized the bombings of its embassies in Kenya and Tanzania, which killed more than 200 people.

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Starts
on Page 4

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Due to the volume of applications, all internal candidates and only those external candidates under serious consideration will be acknowledged.

Japan Gives Consumers Free Money

But Economists Doubt Plan Will Spur Spending

By Sheryl WuDunn
New York Times Service

TOKYO — With all the strength of her 90 years, Chizuko Miyata clutched her crisp, cream-colored coupons and began dreaming of what she would buy with them.

"I'm not so interested in fashion these days," said Mrs. Miyata, a twinkling in her eye. "So I'm going to use them to buy the things I need in everyday life."

The aim of these coupons is to boost buying, added Mrs. Miyata, who had just picked up the new coupons that the government is handing out to spur consumption and revive the economy. "I understand that aim. So I'm going to spend more."

If all Japanese citizens were that loyal, Prime Minister Keizo Obuchi would have nothing to worry about. But nobody knows whether the scheme — one of the oddest ideas ever tried to revive a major economy — will succeed in getting people to spend.

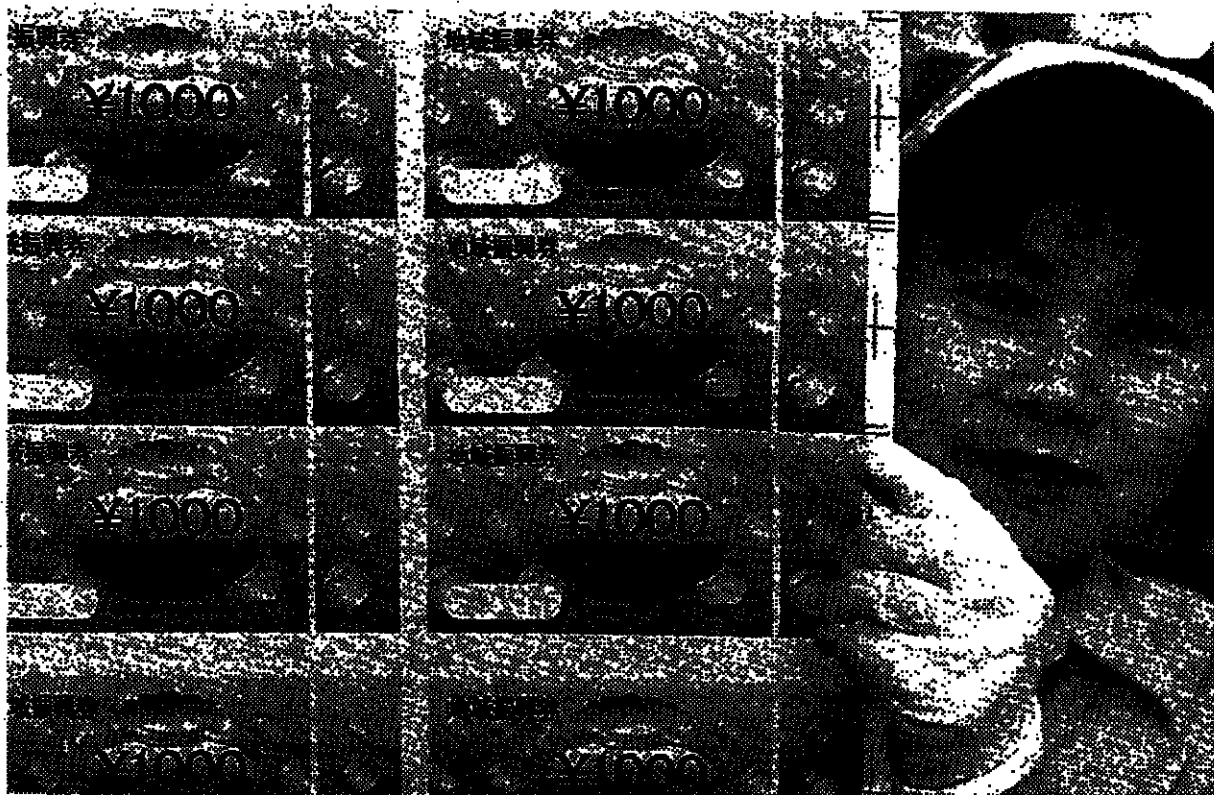
Japan's economy is stuck in its worst recession since the end of World War II, even if there are some signs of progress, and one of the problems has been that ordinary citizens are so anxious about the future that they are saving rather than spending their yen. The government has tried tax cuts, but people tend to save that money as well.

So Mr. Obuchi and his cabinet are handing out something that cannot be saved: nearly \$6 billion worth of shopping coupons that expire in August.

This is a very big experiment," said Katsuyuki Hishida, a senior official in the Komei Party, which proposed the idea to the governing Liberal Democratic Party. "This is the first such economic experiment done anywhere in the world."

Still, economists have attacked the plan on many fronts, and few believe it will be very successful. For starters, consumers may spend the coupons and save an equivalent amount of cash.

In addition, the plan has been a logistical nightmare, and it is proving expensive to administer.



Shizuko Nagasawa, a printing company employee, displaying some of the shopping vouchers that are being given to consumers as a way to stimulate Japan's economy. Nearly \$6 billion in coupons is being distributed.

The government has attached strings to the coupons so that residents normally must use their coupons in their own neighborhoods.

To help local business, the government has each town and municipality find its own printers, dye specialists and paper makers to mint their form of local currency. So some coupons are pink, some are blue, some are white, some are cream.

The localities can also set their own rules, within guidelines. So some coupons can be spent at nightclubs or casinos. Others can be used only at places like shops and restaurants.

In some areas, the authorities have tried to help small businesses by forcing residents to wait 40 days before they can use their coupons at big department stores, while others have color-coded their coupons to ensure that at least one half is spent at small stores.

The key question is whether the coupons will encourage people to spend more. And the risk is that they are plenty of people out there who

Emiko Kawamura. Mrs. Kawamura, 41, sees the coupons as a form of financial relief that allows her to expand her rainy day nest egg. With three children, including a 16-year-old who does not qualify for the coupons, Mrs. Kawamura is pinching pennies.

"I'm not going to buy anything expensive or big," Mrs. Kawamura said. "With the coupons to spend, I have extra money. So I don't have to take so much out from my bank account this time."

Keiko Komine, a homemaker with two boys, is more like the kind of person the government is hoping for.

Mrs. Komine plans to plunk her \$340 worth in coupons down for a new bookshelf for her six-year-old son who is about to start first grade. Her children recently learned how to ski, so she also has plans to squeeze in a short vacation on the slopes.

"I'm not thinking of saving because coupons will encourage people to spend more. And the risk is that they are plenty of people out there who

The biggest complaint comes from the large swath of people who do not qualify. In general, the coupons go to families with children under 15 or senior citizens over 65, and the amount handed out varies with the number of people in each category.

Fumiko Okazawa, 72, expressed puzzlement that she can receive the coupons but her husband, 80, cannot.

For elderly recipients, the government screens out people who earn too much money, and her husband, she said, was a bit envious and a bit contemptuous. "He just tells me that I can receive these coupons because my income is so low," she said.

"I think there should be other ways of doing this," said Chie Takeguchi, a 36-year-old mother who tagged her baby girl along as she picked up her \$165 worth of \$8 coupons.

"There are some people who get the coupons and others who do not get them. Originally, the idea was that everyone would get something. But they changed that, and I have some reservations."

Mrs. Takeguchi's parents are younger than the 65-year-old age limit to receive the coupons, and she said: "They have expressed the idea that they do not think the program is entirely fair."

The plan, one of the oddest ideas ever tried to revive a major economy, has been a logistical nightmare and is expensive to administer.

Nissan Chiefs Go to Paris as Deal With Renault Appears Imminent

Compiled by Our Staff From Dispatches

TOKYO — Top executives of Nissan Motor Co. traveled to Paris over the weekend amid expectations that a deal between the troubled Japanese automaker and Renault SA of France was imminent.

An announcement of an agreement under which Renault would buy a third of Nissan could come as early as Tuesday, the Nihon Keizai newspaper reported.

But analysts warned that the talks could still unravel, particularly because Renault is wary about Nissan's heavy debt burden.

Renault confirmed that it was discussing an alliance with Nissan but said

it had not made any offer. "We have not reached a decision to make or not make an offer to Nissan," a Renault spokesman said.

Sources close to the negotiations said the talks were close to a conclusion and that Renault had tried to enlist the support of the French government and financial institutions for the deal.

Yoshikazu Hanawa, the president of Nissan, the second-largest automaker in Japan, left Tokyo for Paris on Saturday for final negotiations with the French company, the Jiji Press news agency and Asahi newspaper said.

A Nissan spokesman confirmed that he had left Japan but declined to provide

further details. Mr. Hanawa and the Renault chairman, Louis Schweitzer, were expected to hold talks in Paris to discuss the size of the French company's stake, which is expected to be at least one-third.

The French carmaker has told Nissan it is ready to pay up to \$50 billion yen (\$41.7 billion) on its investment, the reports said.

A key point in the talks is the issue of management control. Nissan hopes to retain management independence as one of the conditions for the tie-up, Jiji said.

But an equity share in a Japanese company of more than one-third — like the stake reportedly being discussed —

enables its holder to exercise a veto over important matters, including changes in the company's charter, at its general shareholder meetings, Jiji noted.

Renault moved to the forefront when DaimlerChrysler AG broke off 10-month-long talks with Nissan last week, saying it was no longer interested in buying a slice of the Japanese company.

Renault is interested in Nissan because it is looking to expand in the United States and Asia and to cut costs as rivals such as DaimlerChrysler grow through acquisitions. A stake in Nissan would give Renault access to markets where it has little presence and to world-class technology. Yet analysts said Nissan's

debt burden — the highest in the industry — would be a concern for Renault.

"The DaimlerChrysler-Nissan collapse will no doubt cause Renault to tread carefully," said Remy Dumoulin, an analyst with HSBC Securities in Paris.

Following the breakdown of those talks, the U.S. ratings agency Moody's Investors Service Inc. cut Nissan's senior debt rating to junk bond "Ba1" status because of its heavy debt.

In the talks in Paris, Renault is asking for three seats on Nissan's board, the Nihon Keizai said. Renault also will ask to appoint one of its executives as vice president of Nissan, the paper added.

(AFP, Reuters, Bloomberg)

Buffett Says He Cut Citigroup Stake in a Rough '98

Bloomberg News

OMAHA, Nebraska — The billionaire investor Warren Buffett has reduced his stake in the giant financial-services company Citigroup, according to his annual letter to shareholders of Berkshire Hathaway Inc.

The influential investor also says he made some bad decisions in 1998 and failed to match the overall stock market's performance.

Mr. Buffett previously owned a stake in Citigroup valued at \$1.56 billion, but Citigroup was absent from the list of large Berkshire Hathaway stock holdings in the latest report, which lists the insurance and investment concern's holdings valued at \$750 million or more as of

Dec. 31. Mr. Buffett's letter, released over the weekend, also showed that he bought shares of American Express Co. in 1998 and sold some of his shares in Walt Disney Co., Wells Fargo & Co. and U.S. Federal Home Loan Mortgage Corp.

Investors follow closely Mr. Buffett's views on individual stocks and the financial markets because of his success.

However, his reported positions may be misleading. Berkshire said in a 1997 letter to the U.S. Securities and Exchange Commission that by the time the world learns about Berkshire's holdings, Mr. Buffett may have long since changed course. Mr. Buffett takes advantage of rules that allow the company

to keep some of those filings secret for at least 12 months. Mr. Buffett did not say in his most recent letter what he had done with his investments in silver, oil and bonds.

Berkshire said in February 1998 that the company had bought 129.7 million ounces of silver, valued at \$650 million, on a bet that demand would outpace production, as it had for years, and send prices higher.

Since then, silver has fallen about 15 percent. Mr. Buffett's investment represented about a quarter of the world's annual output.

At the end of 1997, Mr. Buffett also owned \$4.6 billion of zero-coupon bonds and contracts on 14 million barrels of oil. Those investments

were considered unusual for him because Mr. Buffett made his name buying stocks.

Overall, 1998 was a tough year for his stock picks, Mr. Buffett said.

"Several of the public companies in which we have made significant investments experienced operating shortfalls that neither they nor I anticipated early in the year," Mr. Buffett wrote.

"Consequently, our equity portfolio did not perform nearly as well as did the S&P 500," he added. "In particular, my decision to sell McDonald's was a very big mistake. Overall, you would have been better off last year if I had regularly smacked off to the movies during market hours."

McDonald's Corp. returned 62 percent last year. It was not clear how much of a McDonald's stake Berkshire retained.

Of Buffett's largest holdings, American Express returned 15 percent, his \$13.4 billion chunk of Coca-Cola Co. returned 1.3 percent, and Gillette Co. lost 3.9 percent.

Mr. Buffett's decisions did not hurt the performance of Berkshire's own shares, which returned 52 percent last year, compared with 29 percent for the S&P 500. Berkshire shares have lagged the benchmark index in only four years since 1965, when Mr. Buffett took control of the company, according to the analyst Alice Schroeder of PaineWebber Inc.

Mr. Buffett's letter contained no comments on the stock market in general. He said this month on ABC's "Nightline" program that valuations remain "high by historic standards."

Mr. Buffett said in the letter, as he has in past letters, that he and Charles Munger, the vice chairman of the company, are having a hard time finding stocks to invest in. He is one of the best-known "value" investors, those who seek to buy stocks when they are temporarily out of favor or selling at low price/earnings ratios.

"Charlie and I will continue our search for large equity investments or, better yet, a really major business acquisition that would absorb our liquid assets," he wrote. "Currently, however, we see nothing on the horizon."

The Institute of International Finance

Institute of International Finance, Inc.

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Sir Andrew Large
Deputy Chairman
Barclays Bank PLC

Sir Jeremy Morse
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Lloyds Bank

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Citibank, N.A.

Mr. Paul Volcker
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Entry forms and competition rules may be obtained at:

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CURRENCY RATES

March 12				Other Dollar Values				March 12			
Currency	Per \$	Per \$	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$
Argentine peso	0.0005	Argentine peso	0.0005	British pound	0.65	British pound	0.65	British pound	0.65	British pound	0.65
Australian dollar	0.65	Australian dollar	0.65	Canadian dollar	0.65	Canadian dollar	0.65	Canadian dollar	0.65	Canadian dollar	0.65
Brazilian real	0.0005	Brazilian real	0.0005	Chinese yuan	0.0005	Chinese yuan	0.0005	Chinese yuan	0.0005	Chinese yuan	0.0005
Chilean peso	0.0005	Chilean peso	0.0005	Colombian peso	0.0005	Colombian peso	0.0005	Colombian peso	0.0005	Colombian peso	0.0005
Costa Rican colón	0.0005	Costa Rican colón	0.0005	Czech koruna	0.0005	Czech koruna	0.0005	Czech koruna	0.0005	Czech koruna	0.0005
Croatian kuna	0.0005	Croatian kuna	0.0005	Danish krone	0.0005	Danish krone	0.0005	Danish krone	0.0005	Danish krone	0.0005
Cuban peso	0.0005	Cuban peso	0.0005	Deutsche mark	0.65	Deutsche mark	0.65	Deutsche mark	0.65	Deutsche mark	0.65
Czech koruna	0.0005	Czech koruna	0.0005	French franc	0.0005	French franc	0.0005	French franc	0.0005	French franc	0.0005
Danish krone	0.0005	Danish krone	0.0005	German mark	0.65	German mark	0.65	German mark	0.65	German mark	0.65
Deutsche mark	0.65	Deutsche mark	0.65	Hong Kong dollar	0.0005	Hong Kong dollar	0.0005	Hong Kong dollar	0.0005	Hong Kong dollar	0.0005
French franc	0.0005	French franc	0.0005	Indian rupee	0.0005	Indian rupee	0.0005	Indian rupee	0.0005	Indian rupee	0.0005
German mark	0.65	German mark	0.65	Japanese yen	0.0005	Japanese yen	0.0005	Japanese yen	0.0005	Japanese yen	0.0005
Hong Kong dollar	0.0005	Hong Kong dollar	0.0005	Korean won	0.0005	Korean won	0.0005	Korean won	0.0005	Korean won	0.0005
Indian rupee	0.0005	Indian rupee	0.0005	Malaysian ringgit	0.0005	Malaysian ringgit	0.0005	Malaysian ringgit	0.0005	Malaysian ringgit	0.0005
Japanese yen	0.0005	Japanese yen	0.0005	Mexican peso	0.0005	Mexican peso	0.0005	Mexican peso	0.0005	Mexican peso	0.0005
Korean won	0.0005	Korean won	0.0005	New Zealand dollar	0.0005	New Zealand dollar	0.0005	New Zealand dollar	0.0005	New Zealand dollar	0.0005
Malaysian ringgit	0.0005	Malaysian ringgit	0.0005	Philippine peso	0.0005	Philippine peso	0.0005	Philippine peso	0.0005	Philippine peso	0.0005
Mexican peso	0.0005	Mexican peso	0.0005	Singapore dollar	0.0005	Singapore dollar	0.0005	Singapore dollar	0.0005	Singapore dollar	0.0005
New Zealand dollar	0.0005	New Zealand dollar	0.0005	Sri Lankan rupee	0.0005	Sri Lankan rupee	0.0005	Sri Lankan rupee	0.0005	Sri Lankan rupee	0.0005
Philippine peso	0.0005	Philippine peso	0.0005	Taiwan dollar	0.0005	Taiwan dollar	0.0005	Taiwan dollar	0.0005	Taiwan dollar	0.0005
Singapore dollar	0.0005	Singapore dollar	0.0005	Thai baht	0.0005	Thai baht	0.0005	Thai baht	0.0005	Thai baht	0.0005
Sri Lankan rupee	0.0005	Sri Lankan rupee	0.0005	Turkish lira	0.0005	Turkish lira	0.0005	Turkish lira	0.0005	Turkish lira	0.0005
Taiwan dollar	0.0005	Taiwan dollar	0.0005	U.S. dollar	1.00	U.S. dollar	1.00	U.S. dollar	1.00	U.S. dollar	1.00
Thai baht	0.0005	Thai baht	0.0005	Yen	0.0005	Yen	0.0005	Yen	0.0005	Yen	0.0005
Turkish lira	0.0005	Turkish lira	0.0005								
U.S. dollar	1.00	U.S. dollar	1.00								
Yen	0.0005	Yen	0.0005								

CAPITAL MARKETS ON MONDAY

Fidelity Magellan Closing In on \$90 Billion

BOSTON — Fidelity Investments' flagship Magellan Fund is approaching \$90 billion of assets under management, more than was invested in all U.S. stock funds just 15 years ago.

Fidelity Magellan, America's biggest mutual fund, had about \$86 billion of assets at the end of February, the company said recently. Analysts estimate that the figure, even without any new cash inflows, is closer to \$89 billion now, based on the fund's strong performance so far in March.

"Four million American households are depending on Magellan to provide for a comfortable retirement," said Eric Kohlen, executive editor of Fidelity Insight, a newsletter that tracks the funds managed by the biggest U.S. fund company. "It's a truly amazing number."

Fidelity Magellan has gained about

\$25.2 billion of assets since the end of 1997, mostly because of market appreciation, as opposed to new cash investments. Fidelity closed the fund to most new investors in September 1997, a move that has limited the amount of fresh money entering Magellan's coffers.

Still, Magellan attracted almost \$240 million of net new investments in January, according to researchers at Boston-based Financial Research Corp. Only 37 funds took in more money during the month.

One of those was the Vanguard Index 500 Fund, the second-biggest U.S. fund. The Vanguard fund attracted about \$1.6 billion of net new investments in January, and its assets were about \$78 billion at the end of February.

Robert Stansky, the manager of Fidelity Magellan, has run the fund deftly

since taking over in mid-1996 from the previous manager, Jeff Vinik, Mr. Stansky said. The fund's returns beat those of the Standard & Poor's 500-stock index in 1998 and are running ahead of the S&P so far this year as well.

That's a claim just 15 percent of America's fund managers can make, and it is especially impressive given Magellan's size, said William Dougherty, head of Kanan Bloch Corp., a Boston-based research firm.

"Magellan's relative performance has improved since the day Stansky started," Mr. Dougherty said. "He's done a great job."

Fidelity Magellan gained 33.6 percent in 1998. It ranks 135th among 569 "growth" stock funds tracked by Bloomberg Fund Performance over the past three years, rising at an annual rate of 26 percent.

Euro Eats Into Foreign Portfolios

For U.S. Investors, Weak Currency Cancels Out European Stock Gains

By Jonathan Fierbringer
New York Times Service

NEW YORK — In January, with the arrival of the single European currency and forecasts that the American economy would slow in 1999, European stock markets seemed as though they would be a pretty good choice for American investors.

But that has not been the case so far this year. Although Europe's major markets other than Germany have done nearly as well as the United States for local investors, the returns for American-based investors in those markets are smaller or even negative.

This disappointing performance is the fault of the new currency, the euro. Most forecasts, especially those in Europe, predicted that the euro would rise sharply against the dollar and other currencies after its debut. Instead, it has slumped since its first week of trading. This decline erodes the year's gains on European stocks when they are translated into dollars.

For American investors, the euro's performance is a stark reminder that currency moves can still play a major role in the value of an international portfolio, despite assurances that the euro, by combining 11 currencies, would make investing in Europe less complicated.

"Currency can really make a difference," lamented Joe Rooney, global strategist for Lehman Brothers in London. "What really caught us was the euro," he said. "We thought the good local stock returns would have been reinforced" by a rally in the new currency.

In France, the CAC index of 40 stocks has risen 5.9 percent in euro terms since January. But with the 7 percent fall in the value of the euro against the dollar, that gain reverses to a 1 percent decline.

The 3.8 percent increase in Italy's Milan index of 30 stocks becomes a 3 percent decline in dollars. Only in Finland, where the main stock index has soared 14.8 percent, is the dollar return — 7.3 percent — a match for Wall Street's performance.

though that rebound had been more widely expected. The dollar is up 4.5 percent against the yen this year and has cut into one of the better recent performances of the Japanese stock market. The Nikkei index of 225 stocks is up 11.9 percent in yen terms but 7.1 percent in dollars.

Mr. Rooney said he believed the euro would rebound this year, wiping out the currency losses and then amplifying gains that investors receive from the stock market. By the end of the year, Mr. Rooney is forecasting about a 10 percent rise from the euro's current level, to \$1.20.

At that level, the 1 percent decline in the French stock market in dollars so far this year, for example, would become an attractive 8.9 percent gain.

The euro rose last week to \$1.0915 from \$1.0833 a week earlier. But its biggest daily gain, made Thursday when the German finance minister resigned, evaporated Friday.

INVESTING

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The euro has even undermined a remarkable turnaround in the German stock market. The DAX index of 30 stocks shot up 5.1 percent Friday on news of the resignation of Oskar Lafontaine, the German finance minister, who had alienated business leaders in part by calling for tax increases.

That surge left the DAX up 0.5 percent for the year in euros, back in the plus column after a sharp decline from its January high. But dollar-based investors are still in the red in Germany, by 6.1 percent.

The revival of the dollar has also hurt Americans investing elsewhere, al-

though that rebound had been more widely expected. The dollar is up 4.5 percent against the yen this year and has cut into one of the better recent performances of the Japanese stock market. The Nikkei index of 225 stocks is up 11.9 percent in yen terms but 7.1 percent in dollars.

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Karen Parker, a currency strategist at Chase Securities who predicted a fall in the euro, said she still did not think it would rally this year, although she said Mr. Lafontaine's resignation may stem its near-term decline. She said an interest-rate cut to spur European growth was likely, weakening the euro. And she is betting that the stronger American economy will keep investors more interested in holding dollars than euros, leaving the new currency at about the same level in 12 months as it is now.

Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending March 12. Prices supplied by Reuters.

Rank Name Cpn Maturity Price Cr/Yld

Australian Dollar

240 Fannie Mae 6% 08/15/07 102.2500 6.2300

British Pound

117 Avonlong FRN 6.3591 01/22/23 94.7753 6.5500

Canadian Dollar

378 Canada 6 04/01/08 105.3700 5.6900

Danish Krone

25 Denmark 6 11/15/99 112.6300 5.3300

Deutsche Mark

98 Germany Thls 200 04/15/99 99.7400 2.5700

Euro

1 Germany 5% 01/04/06 108.2763 4.8500

Japanese Yen

234 World Bank 5% 02/29/02 114.4 4.5800

South African Rand

244 Brazil 11 07/24/16 22.6800 48.5700

Swedish Krona

114 Sweden 5 01/15/04 104.4570 4.7800

U.S. Dollar

11 Brazil Cop S.L. 5 04/15/14 72.8544 6.8600

U.S. Dollar

11 Brazil S.L. FRN 6% 04/15/04 64.8726 9.4400

U.S. Dollar

54 Brazil FRN 6% 01/01/01 60.8125 9.9700

U.S. Dollar

54 Brazil FRN 6% 01/01/01 60.8125 9.9700

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Hot Economy Keeps Many Cool to Bonds

Bloomberg News

NEW YORK — Good news about inflation helped bond investors regain some lost ground last week, but the strength of the U.S. economy has clouded the outlook for further gains in Treasury prices.

The U.S. government said Friday that producer prices fell 0.4 percent last month — the biggest drop in more than a year — and the bond market responded with a rally. The yield on the benchmark 30-year bond fell to 5.52 percent as bond prices rose. That was down from 5.59 percent a week earlier.

extremely disappointed." He predicts the slowdown will come, though probably not this month.

In the meantime, that means continued pressure on bond prices as investors continue to worry about the strength of the economy and its potential for bringing inflation back to life. Even after their price gains last week, 30-year Treasury bonds are trading in their worst year-to-date performance in three years, losing more than 5 percent when price changes

ment said retail sales rose for a seventh straight month, and unemployment claims held at a level that indicates there are plenty of jobs.

"There is nothing wrong with such strong growth, provided it does not spark inflationary pressure," said Ian Shepherdson, chief U.S. economist at High Frequency Economics in Valhalla, New York. "So far so good, but the risk of a turn for the worse is rising."

But the Treasury market's reaction was muted because people have become used to a climate of subdued inflation. Consumer prices have risen at less than a 2 percent annual rate since November 1997. While investors applaud low inflation because it means bonds will hold more value, they want evidence that U.S. economic growth is slowing before jumping in to buy.

"Every piece of data for the rest of March and April will be placed under the microscope for any signs of slowing," said Ned Riley, chief investment officer at BankBoston Corp., which oversees about \$30 billion. Barring such evidence, he said, "the bond market will be

and interest payments are taken into account.

The bonds have suffered as reports on jobs, manufacturing and consumption showed the world's largest economy still going strong after expanding at a 6.1 percent annual pace in the final three months of 1998. Some investors fret that too much growth will eventually spur inflation and lead the Federal Reserve to raise interest rates.

"The days of consistently lower and lower inflation are over," said Bryce Doty, who oversees \$750 million of bonds at Sit Investment Associates Inc. in Minneapolis. "I think that's kind of unnerving." On Thursday, the govern-

ment said retail sales rose for a seventh straight month, and unemployment claims held at a level that indicates there are plenty of jobs.

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A 20 percent rise in crude oil prices this year — to a five-month high — adds to worries that the best news on inflation may be past, analysts said.

Repatriation of capital by Japanese investors before their fiscal year ends March 31 also is likely to keep a lid on gains in the bond market, and a heavy calendar of corporate debt sales may draw demand away from Treasury bonds.

But the risks to the U.S. economy are balanced, in the view of Edward Boehne, president of the Federal Reserve Bank of Philadelphia. "I don't see more upside risk than downside risk at this point," Mr. Boehne said in a speech last week.

As a voting member of the Federal Reserve Open Market Committee, which sets U.S. interest-rate policy, Mr. Boehne said he has "no predilection as to which way the next move will be."

U.S. CREDIT MARKETS

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New International Bond Issues

Compiled by Charlotte Sector

Issuer	Amount (\$millions)	Mat.	Coup. %	Price	Price and week	Terms
Floating Rate Notes						
SNS Bank	\$350	2004	0.15	99.733	-	Over 3-month Libor. Noncallable. Fees 0.175% (Barclays Capital Group).
Canadian Imperial Bank	EUR100	2000	euribor	99.995	-	Interest is 3-month Euribor. Noncallable. Fees 0.075% (T.M.I.).
Alliance & Leicester	£150	2003	1/8	99.96	-	Over 3-month Libor. Noncallable. Fees 0.15% (HSBC Markets).
Nordic Investment Bank	HK\$1,000	2002	0.10	100.00	-	Over 3-month Hibor. Noncallable. Fees not available (HSBC Markets).
Fixed						
Buenos Aires	\$150	2002	12 1/2	100	-	Semiannually. Noncallable. Fees 1% (Solomon Smith Barney).
Credit Local	\$100	2003	5.30	99.98	-	Semiannually. Noncallable. Fees not available (Morgan Stanley).
European Investment Bank	\$100	2009	8	101.14	-	Interest is a fixed 8% until 2000, when it is a floating rate of 3-month Euribor plus 0.5%. Fees 1.5% (Morgan Stanley).
Freddie Mac	\$3,000	2009	5 1/2	99.518	-	Noncallable. Fees 0.15% (Credit Suisse First Boston).
Heller Financial	\$400	2004	6	99.625	99.80	Noncallable. Fees 0.35% (J.P. Morgan Int'l).
Lucient Technologies	\$1,340	2009	6.45	99.461	99.43	Semiannually. Noncallable. Fees 0.075% (Bear Stearns).
Shell Finance	\$250	2002	5 1/2	101.2175	100.15	Reaffirmed of 100.03. Noncallable. Fees 1.5% (Warburg Dillon Read).
Algemeine Hypothekbank	EUR250	2004	3 1/2	99.86	-	Reaffirmed of 99.80. Floating with outstanding issues, relating total amount to 1 billion euros. Noncallable. (ABN-AMRO Home Group).
BGB Finance Ireland	EUR300	2009	4 1/2	101.455	-	Reaffirmed of 99.805. Noncallable. Fees 2% (CDC Munchies).
Burmah Oil	EUR400	2009	4 1/2	99.512	99.85	Noncallable. Fees 0.40%. Denominations 10,000 euros. (Deutsche Bank).
Class KGAA	EUR100	2006	4 1/2	99.471	-	Noncallable. Fees 0.40% (Credit Suisse).
DGZ Deka Bank	EUR1,000	2002	3	99.3225	-	Reaffirmed of 99.185. Noncallable. Fees 0.1875% (DGZ).
Fort Motor Credit Co.	EUR1,000	2004	3 1/2	98.945	99.20	Noncallable. Fees 0.30% (Credit Suisse First Boston).
Halifax	EUR500	2009	4 1/2	99.727	100.10	Noncallable. Fees 0.40% (Lehman Brothers Int'l).
Nordic	EUR300.5	2009	4.30	100.00	-	Reaffirmed of 99.9%. Noncallable. Fees 0.375%. Denominations 10,000 euros. (Caja Madrid).
Gesellschaftliche Investitionsbank	EUR100	2004	0.05	102.15	-	Redemption amount of maturity may be related to the performance of the AEX index. Noncallable. Fees 2% (Gemeinsame de Bank).
Parmafin Finance	EUR250	2009	5 1/2	99.81	98.65	Reaffirmed of 98.31. Noncallable. Fees 2% (Merrill Lynch).
Philippines	EUR50	2004	8	100.00	-	Noncallable. Floating with outstanding issues, relating total amount to 350 million euros. Fees 0.5% (J.P. Morgan Int'l).
Portugal	EUR1,500	2004	3 1/2	100.02	100.08	Noncallable. Fees 0.15% (Cofin General Deputados).
Royal Bank of Scotland	EUR1,000	2009	4 1/2	99.55	99.60	Noncallable. Fees 0.40% (Warburg Dillon Read).
Tokyo Electric Power	EUR750	2004	4	101.567	100.45	Reaffirmed of 99.867. Noncallable. Fees 2% (International Bank of Japan).
Deutsche Bank Europe	£100	2000	5.35	100.00	-	Noncallable. Fees not available. (Westdeutsche Landesbank).
European Investment Bank	£100	2009	5 1/2	103.169	-	Noncallable. Floating with outstanding issues, relating total amount to 450 million euros. Fees 0.30% (Credit Suisse).
Hutchinson Ports	£325	2015	6 1/2	99.59	-	Noncallable. Fees 0.25% (Goldman Sachs Int'l).
Reuters Group	£200	2004	5 1/2	99.88	-	Noncallable. Fees 0.275% (J.P. Morgan Int'l).
Tesco	£100	2009	5 1/2	96.738	-	Noncallable. Fees 0.375% (Morgan Stanley Dean Witter).

Last Week's Markets

Stock Indexes				Money Rates	
				March 12	
United States	Mar 12	Mar 5	% Chg	United States	
DJ Index	9,074.35	9,074.35	+1.14	Discount rate	4 1/2
S&P 500	3,267.21	3,267.21	+1.14	3-month T-bill	4 1/4
NASDAQ	2,254.45	2,254.45	+1.27	Federal funds rate	4 1/4
NYSE	61.51	61.51	+1.27	Japan	0.50
NYSE Comp	61.51	61.51	+1.27	3-month T-bill	4 1/4
NYSE Comp	61.51	61.51	+1.27	6-month T-bill	4 1/4
NYSE Comp	61.51	61.51	+1.27	9-month T-bill	4 1/4
NYSE Comp	61.51	61.51	+1.27	12-month T-bill	4 1/4
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NYSE Comp	61.51	61.51	+1.27	6-month Eurodollar	4 1/4
NYSE Comp	61.51	61.51	+1.27	9-month Eurodollar	4 1/4
NYSE Comp	61.51	61.51	+1.27	12-month Eurodollar	4 1/4
NYSE Comp	61.51	61.51	+1.27	3-month Eurodollar	4 1/4
NYSE Comp	61.51	61.51	+1.27	6-month Eurodollar	4 1/4
NYSE Comp	61.51	61.51	+1.27	9-month Eurodollar	4 1/4
NYSE Comp	61.51	61.51	+1.27	12-month Eurodollar	4 1/4
NYSE Comp	61.51	61.51	+1.27	3-month Eurodollar	4 1/4
NYSE Comp	61.51	61.51	+1.27	6-month Eurodollar	4 1/4
NYSE Comp	61.51	61.51	+1.27	9-month Eurodollar	4 1/4
NYSE Comp	61.51	61.51	+1.27	12-month Eurodollar</	

Figures as of close
of trading Friday, March 12

This table shows the performance of bond-and-stock mutual funds through February and includes the top 4,000 funds in terms of assets. There are roughly 8,500 funds currently listed on Nasdaq.

Group names are shown in bold face, with individual fund names in each group indented below. Funds that are not part of a group are not indented.

NVY is the net asset value, i.e. the portfolio value divided by the number of shares outstanding, as reported by the fund. **NAV** through **NAV** excludes all sales or redemption charges. **Change** shows the variation from the previous Friday.

Recent Bond footnotes: a = available only through a commercial plan; n = front-end and/or contingent deferred sales loads; p = fund assets are used to pay the sales load; r = redemption fee of contingent deferred sales load may apply; r = footnotes p and r apply.

Price fund footnotes: e = net capital gains distributions; f = previous day's quotation; s = stock

Berlin's Connections? By Air, Virtually None

By Roger Cohen
New York Times Service

BERLIN — Early this year, Mayor Eberhard Diepgen of Berlin slipped off to Chicago to try to solve an increasingly desperate problem: the city presenting itself as "the new capital of Europe" does not have a direct flight to or from the United States.

Berlin has history, intense and tormented. It has a raw beauty that has something to do with the fascination of fracture. It is about to become home, once again, to the German government.

But can the new capital of Europe's most powerful state be taken seriously when its only direct intercontinental flights are weekly services to Ulaan Baatar, Mongolia, and to Havana?

The situation has become extremely embarrassing for the image of Berlin," said Volker Hassemer, the chief executive of Berlin Partner, a company trying to promote business in this city. "But these days the German airline, Lufthansa, only thinks in terms of profit."

Communist in its eastern half for more than 40 years and almost completely subsidized in its island-like western half, Berlin remains a city where the whiff of money-making is scarcely overpowering.

Lufthansa is unconvinced that it can turn a profit flying to New York from Berlin.

Hence Mr. Diepgen's mission to Chicago, where he met in January with Rono Dutta, the senior vice president for planning at United Airlines.

The mayor's question was: Would United fly to the new German capital from Chicago or New York, or anywhere in the United States?

Mr. Diepgen, a Christian Democrat, came away convinced he had put Berlin on the map. In a statement from his office, he said the question was not whether United would start direct flights to Berlin but when.

Michael-Andreas Butz, the mayor's spokesman, said, "With all the diplomats and federal government and parliamentary people about to come to Berlin, United is looking at a start-up in the spring of 2000."

But United Airlines, which already has direct services to Frankfurt, Munich and Düsseldorf, appears to have taken a rather different view. Berlin, said Andrew Plews, a spokesman, remains "a maybe, and a rather long-term maybe."

Berlin's problem is its history. Before Hitler started the war that

brought the city down around him, and before Yalta isolated it in a divided Europe, many of the biggest German industries were here. But the major insurance companies and big banks and industrial groups such as Siemens AG all moved to Munich, Hamburg, Düsseldorf and elsewhere — and very few of them show signs of coming back.

It is a paradox of the transfer of the German capital from Bonn to Berlin that business is thriving in Bonn — office space vacancy is running at just 1.5 percent — while it is still largely stagnant in the relatively isolated city of Berlin, where 18 percent of office space is vacant.

"Berlin was a kept person for 50 years," said Bernhard Schlink, the novelist, who is a longtime resident. "The people who came here were those who wanted to avoid the draft or the laws of economic competition. And now we find it is hard to live on our own again."

Where there is not a lot of business, there are not a lot of business-class passengers. That is why Delta Air Lines made the apparently curious decision to close down the one nonstop flight from Berlin to New York last year.

"It just did not make financial sense," said Horst Ziskovits, the manager of the Delta office in Berlin. "The problem is not the quantity of travelers; it's the fact that your business-class cabin is often empty. Delta is not interested in money-losing propositions."

Nor, it seems, is Lufthansa, which started a nonstop service from New York to Berlin with great fanfare in 1990 but quickly shut it down when it realized "that the city really had gone to sleep in economic terms over those many years with the Wall," said Wolfgang Weber, a spokesman.

Lufthansa appears to have little interest in draining passengers from its important hubs in Frankfurt and Munich. Moreover, because Berlin was long divided, it has three airports — Tegel, Tempelhof and Schoenefeld — which would make it difficult to have a hub for connecting flights to Central and Eastern Europe.

Mr. Butz, the mayor's spokesman, said the city planned to spend about \$3.3 billion to turn Schoenefeld, the airport for the former East Berlin, into "one of the most modern airports in the world" by 2007.

But airlines are skeptical, so Berlin seems set to continue in its odd limbo.

But then, the city's strangeness is perhaps part of its appeal. It is not, after all, every European capital that offers nonstop service to Mongolia.



BIG GUNS — Visitors passing a South African-made missile Sunday at the International Defense Exhibition in Abu Dhabi, where the world's top arms makers displayed their wares.

OUTLOOK: Bankers See Short Latin America Recession

Continued from Page 1

But Mexico looks like it can buck the trend this year, thanks to two factors: its proximity to the still buoyant U.S. economy and President Ernesto Zedillo's policy of slashing the budget each time the price of oil has dropped significantly — something that has happened four times over the past year.

At the development bank meetings, to be opened Monday by Mr. Iglesias in the presence of President Jacques Chirac of France and Michel Camdessus, the IMF managing director, Topic A will be Brazil.

Ahead of the Paris meetings, Brazil got a lift from creditor banks in the United States and Europe, as they pledged late last week that they would maintain credit lines totaling more than \$20 billion, vital for debt repayments and trade finance.

"The banks have expressed support for Brazil," William Rhodes, vice chairman of Citigroup Inc. and coordinator for bank creditors, said after a meeting in New York last week with Arminio Fraga, who recently was named president of the Brazilian central bank. Access to foreign currency loans is essential if Brazil is to avoid more devaluations of its currency, the real, and cut public spending at the same time.

Jeffrey Schott, a senior fellow at the Institute for International Economics in Washington, said that Brazil, despite the prospect of deep recession this year, "is still in better shape than a lot of Asian economies." He and other economists

said that, unlike much of Asia, Brazil and other Latin American countries had already undergone years of financial reform and had stronger banking systems.

There are some important differences between Brazil and the most troubled Asian economies," Mr. Iglesias said. The development bank chief stressed that "Brazil's banking system is largely O.K., and private sector debt, in a relative sense, is lower than in Asia." That, he said, means that Brazilian interest rates, while crippling high, could have less impact on the overall economy.

The World Bank also is forecasting a fairly rapid return to growth for Brazil and the rest of Latin America. Guillermo Perry, head of the World Bank's Latin American department, said he expected the region to return to solid growth by 2000.

He predicted that Latin America's economy would shrink by 1 percent in 1999 but rebound to 3 percent annual growth next year.

Nearly all analysts say Latin America has suffered because of the time it took Brazil to produce credible austerity policies after the contagion of crisis in Asia and Russia hit last autumn. The botched devaluation of the real in January caused a new crisis, and it was not until just a few days ago that Brazil was able to overcome the political and financial hurdles needed to settle on a new IMF plan.

In Argentina, markets are following two key issues: the government's proposal to substitute the U.S. dollar for its own currency, and

the risk of political and financial jitters should President Carlos Menem try to get the constitution changed or interpreted by courts in order to allow him to run for an unprecedented third term in office in elections set for next October.

In an interview Sunday, Finance Minister Roque Fernandez of Argentina said he had discussed the idea of "dollarizing" Argentina's economy with Lawrence Summers, the U.S. deputy Treasury secretary, and said Buenos Aires hoped to continue talks in Washington "in the next couple of months."

Mr. Summers said that adopting the U.S. currency might help stabilize Argentina's economy, but he also warned that any country adopting the dollar must pay the price of inflexibility in managing its economy. He said the United States would not change its own policies to accommodate another country.

It would not be appropriate for the U.S. authorities to consider adjusting banking supervisory responsibilities, access to the Federal Reserve discount window, or the procedures and orientation of U.S. monetary policy," he told Reuters.

Mexico, meanwhile, is being talked about here not only because it has shown the best fiscal discipline in Latin America but also because the IMF is said to be considering a multibillion-dollar credit line for it that would be the first of its planned new brand of preventive medicine. The idea is to offer credit to countries that are not in crisis, but could be affected by future contagion.

GERMANY: New Direction

Continued from Page 1

street. "The reason for my resignation is the poor teamwork." Brushing aside the view that he alone was responsible for a succession of policy retreats by Mr. Schroeder's government, he said, "The mistakes that were made were made by all of us." In a thinly veiled jab at his longtime rival Mr. Schroeder, Mr. Lafontaine said: "The heart is not yet traded on the stock exchange, but it has a place. It beats left."

The Frankfurt stock market rallied more than 5 percent Friday after Mr. Lafontaine resigned, but German unions expressed dismay at losing their champion in Bonn.

Attempts by the government to redefine policy come as Mr. Schroeder walks a tightrope in his ideologically split party, which nominated him Friday to succeed Mr. Lafontaine as party chairman.

The party's assertive labor wing warned him against radical departures from Mr. Lafontaine's positions. "That would lead to a major conflict within the SPD and would undermine the government's abilities over the long run," Detlev von Larcher, a member of the left wing, told Welt am Sonntag.

Although Mr. Schroeder now holds more power than before, sources in his own party said he was also more vulnerable.

The chancellor, who recently posed for two hours wearing high-priced outfits in a glossy magazine spread, must now forgo his hands-off

management style and actively govern both his shaky red-green coalition and his own divided party.

Explaining Mr. Schroeder's new go-slow approach to a Greens-led abandonment of nuclear energy, Mr. Hombach said it was necessary "to redefine energy policies."

"Our policies must be not only ecological but also economical," Mr. Hombach told Focus. "We should redirect negotiations with the industry away from a debate over abandonment and toward a pragmatic debate on switching to other sources."

In a direct break with Mr. Lafontaine's philosophy, Mr. Hombach told the news-magazine Der Spiegel that tax policy "must create a new dynamic in the industrial sector and unleash investment and thus jobs."

Mr. Mueller said he believed that it was possible to cut German corporate taxes, among the highest in the world, to well below the level of 35 percent sought by Mr. Lafontaine. "We will have to cut the corporate tax rate to about 25 percent if we want to diminish the complete burden for companies," he said.

The vacuum left by Mr. Lafontaine's departure emboldened the so-called economic pragmatists among the Social Democrats.

"We have to make improvements," said Wolfgang Clement, premier of the heavily industrial state of North Rhine-Westphalia and a close ally of Mr. Schroeder. "I think it will be clear that we will have a significant cut in tax burdens."

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DISSOLUTION AGREEMENT

In accordance with Article 17 of the Management Regulations of Marusan Asia Growth Fund, HSBC Asia Investment Services Luxembourg SA (the "Management Company") and Banque Internationale à Luxembourg SA (the "Custodian") have, by mutual agreement decided the dissolution of the Fund with effect on 25 June 1999.

Dated 15 March 1999

HSBC ASIA INVESTMENT SERVICES LUXEMBOURG SA BANQUE INTERNATIONALE A LUXEMBOURG SA

INDONESIA: Jakarta Moves to Clean Up Its Debt-Ridden Banks

Continued from Page 1

demonstrations that were triggered in part by the economic crisis.

Public panic followed Indonesia's shutdown of several banks in November 1997, causing a run on most local institutions. Corruption and weak bankruptcy laws mired the country further in crisis, prompting the IMF and the World Bank to recommend financial reforms before organizing a \$46 billion bailout.

Indonesia intends to spend \$34 billion to eradicate bad debt and inject fresh capital into its some banks.

Eligible banks were required to submit plans to increase held capital to at least 4 percent of the bank's risk-adjusted assets. According to the plan, bank owners will provide at least 20 percent of the new capital, with the rest to be provided by the government through a bond issue.

Though the IMF and the World Bank

praised the bank program, some outside economists were more skeptical, saying the plan was a good first step but would not by itself turn around the troubled financial sector.

"It is necessary, but not sufficient," Muhammad Chaib Baidi of the University of Indonesia told Reuters. "It will not have much impact on the economy in the next six months as banks will not be able to resume lending as interest rates may remain high."

BRIDGE

By Alan Truscott

THE oldest "rule" in the game is more than a century old, but experts sometimes forget to use it. It is the Rule of 11, which was devised independently about 1890 by a Scot, Robert Foster, and an Englishman, E.M.F. Benecke. After a fourth-best lead, the number of other three cards in the other three hands can be determined by subtracting the size of the spot card led from 11.

On the diagramed deal, for example, East can calculate from the opening lead that South has no club higher than

the six. If he does not wish to use the rule, East can work out that West must have the king-jack-nine, the only missing cards above the six.

But on the diagramed deal East did not stop to work this out. When he played the ace on the first trick instead of the 10, the defense became difficult.

The declarer landed in four hearts after an opening bid of two spades on his right. He ruffed East's club ace and led the heart king, which West allowed to win. The heart queen came next, and West was in difficulty after winning with the ace. He chose to lead a low club, and South happily

played the queen from dummy, throwing a diamond.

The declarer knew the spade position from the bidding, so when he now led the spade six from the dummy and East played the seven, he finessed the eight. West ruffed, but South was able to take another spade finesse to make his game, using the diamond ace as an entry.

The defense slipped several times. West should have held up his ace twice, not once, and should have led a diamond, not a club, at the fourth trick. But the defense would have been quite easy if East had remembered to use

the Rule of 11 and play the club 10 on the first trick.

NORTH
♦ J 10 6
♥ 4
♠ A 5 4 3
♣ Q 8 7 4 2

WEST
♦ A 10 8 3
♥ K 10 8 7
♠ K J 9 8 5
♣ —

EAST (D)
♦ Q 9 7 5 4 2
♥ 7
♠ J 9 2
♣ A 10 3

South and West were vulnerable.

The bidding:
East South West North
1♣ 1♥ 1♠ 1NT
Pass 4♥ Pass Pass
West led the club six.

CROSSWORD

- ACROSS
- Cuba's Castro
 - Amo, —, amat (Latin exercise)
 - Fishhook's end
 - Positive pole
 - 70's-80's TV alien
 - Theater award
 - Place in the news, 3/28/79
 - Genesis son
 - Moderately slow, in music
 - Drink in a mug
 - Helen of —
 - Shady retreat
 - Examiner

- DOWN
- Speaker's spot
 - Offside setback
 - Persia, now
 - Clumsy dancer's obstacles
 - Like a lot
 - Not straight
 - Not — eyes in the house
 - Legislative aides
 - Big shot
 - Fill the lungs
 - Blows with paddles
 - Neighbor of Ga.
 - Genesis garden
 - Light-Horse Harry, for one
 - Kind of acid
 - Like stuff in the back of the fridge, maybe
 - Environ
 - Flesh
 - "10" music
 - Lawyer's org.
 - Tin Tin
 - Retirement locale?
 - Getting hitched
 - Number on a baseball card
 - Sign of weeping
 - Torero's foe
 - Smallest bills

- 27 Country res.
- 28 Robert Morse Tony-winning role
- 29 Sounds of relief
- 30 Amtrak posting
- 31 Burden
- 32 TV hookup
- 33 Spanish custard
- 34 "Stupid mel"
- 35 Blows it
- 36 It's place
- 37 Neighbor of Ga.
- 38 Clothed, informally
- 39 Off of —
- 40 Not digital
- 41 — d'
- 42 Emphatic affirmative
- 43 Justice Ruth
- 44 Ginsburg
- 45 Sloshed
- 46 Socialite's "toy"
- 47 Waited (on)
- 48 Baby's first word
- 49 Prostate
- 50 Wrath
- 51 Vehicle with sliding doors
- 52 40 winks

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The annual meeting of Sodexho Alliance shareholders was held on February 23, 1999 under the chairmanship of Pierre Bellon, Founder, Chairman and Chief Executive Officer. He confirms that the outlook is positive, because the potential for growth remains very strong in all of the company's businesses.

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Victoria Privatizes Gas Company

Bloomberg News
MELBOURNE — The state of Victoria accelerated the privatization of its natural gas utilities over the weekend with the sale of Stratus Energy 21, a gas retailer and distributor.

Boral Ltd., an Australian building materials and natural gas company, and an associated company, Envestra Ltd., agreed to buy Stratus Energy 21 for 1.67 billion Australian dollars (\$1.1 billion).

With the sale, Victoria has raised 28.1 billion dollars from its five-year program of selling government-owned agencies such as its electricity and gas utilities to private companies. The money is being used to reduce debt.

Boral will own the gas retailer Energy 21, which has about 501,000 customers in eastern

Melbourne. Envestra, a gas distributor in two other Australian states, will own Stratus Networks, which distributes gas to about 420,000 customers in northern and southern Melbourne suburbs.

Selling the gas utilities will move Victoria "towards a fully competitive gas market where increased competition will deliver better prices and services," the state treasurer, Alan Stockdale, said in a statement.

Owners of Melbourne's previously privatized electricity retailing businesses have been bidding fiercely for the natural gas businesses to prepare for deregulation of the state's energy industry.

Utilities with electricity and natural gas businesses will likely gain a competitive advantage over rivals by offering customers combined packages.

The Democratic Republic of Congo Ministry of Finance and Budget

TENDER FOR THE SELECTION OF A PRE-SHIPMENT INSPECTION COMPANY

The Government of the Democratic Republic of Congo invites sealed proposals from international reputable companies for the provision of PSI services covering imports.

Interested companies will be required to submit their bid in one original and five copies to the Conseil des Adjudications du Gouvernement c/o Direction des Marchés Publics, avenue de l'Ouganda no. 4204, Gombe, Kinshasa in two separate sealed envelopes:

- Envelope "A" will contain technical data to be used for pre-qualification
- Envelope "B" will contain price proposals.

Tenders must be received at the above address before 5 May 1999 at 10:00 am, when public opening will take place.

Proposals should remain valid up to 5 July 1999. They must contain a Bid bond worth US Dollars \$50,000 or its equivalent in convertible currency, established in the name of the Ministry of Finance and Budget. The Bid bond is liable to forfeiture, should the Bidder choose to withdraw his/her bid between the time of the public bids opening and the expiry of the validity period, or fail to accept and sign the contract established in terms with his/her proposal by the Ministry of Finance and Budget.

Interested Companies can obtain a copy of the Request for Proposals, through a formal request on Company stationery signed by an authorized representative, from:

Conseil des Adjudications du Gouvernement c/o Direction des Marchés Publics at the above address, upon payment of a non-refundable amount in Congolese Francs equivalent to US Dollars \$10,000, payable into the account of the Accountant, avenue des Huileries no. 4404, (Cabinet du Ministre des Postes, Téléphones et Télécommunications), Gombe, Kinshasa.

For further information please contact the Office Congolais de Contrôle, 98 Av. du Port Kinshasa/Gombe, Fax:243-1221974.

Volkswagen Steers Bentley In a Sporty New Direction

By Edmund L. Andrews
New York Times Service

GENEVA — Few things in business are more delicate than the mystique of a luxury automobile brand. So one might have expected Volkswagen AG and its chairman, Ferdinand Piech, to handle last year's takeover of Rolls-Royce Motor Cars with kid gloves.

Volkswagen, after all, remains most famous for the homely but inexpensive "people's car" now known as the Beetle, while Rolls-Royce is revered for regal limousines once driven by the Beatles.

But if evidence at the Geneva Motor Show is any guide, the gloves are off. In a startling glimpse of what may lie ahead, Mr. Piech proudly introduced a concept car for Rolls' Bentley line that looks as if it came from a different planet.

Whereas the Bentley of today is a sober and somewhat boxy sedan that amounts to a sportier version of a Rolls-Royce, the "super car" that was shown is a sleek and low-slung muscle car with a 623-horsepower engine lodged right behind the back seat.

The car is only a prototype. But it signals an aggressive new direction for what had been Britain's most prestigious carmaker.

Bentley executives say Mr. Piech personally began pushing for a sexy new design last September, shortly after VW acquired Rolls-Royce from Vickers PLC.

Mr. Piech reviewed a collection of ideas from Bentley's sketchbooks and immediately seized on the idea of a futuristic high-performance sports car that in some ways would hark back to Bentley's roots as the builder of some of the sleekest racing cars of the 1920s. Volkswagen engineers rushed to turn the drawings into a working prototype.

Under orders from Mr. Piech, Volkswagen also designed an entirely new 16-cylinder engine to be mounted in the middle of the car, a departure from anything Bentley has done before.

All this is in sharp contrast to the deferential, hands-off approach that Ford Motor Co. took when it bought Jaguar in 1989, or that BMW followed when it bought Rover Group in 1990. Both took pains to preserve their acquisitions' Britishness and gave them great autonomy.

In BMW's case at least, the kid-glove strategy backfired. BMW invested more than \$4 billion in Rover, but the company kept losing hundreds of millions of dollars a year, prompting the ouster last month of BMW's chief executive, Bernd Fischer.

New BMW management is tightening its grip on Rover.

Mr. Piech's challenges with Rolls-Royce and Bentley are different and in some ways

more perplexing. Among the thorniest is what to do with the Rolls-Royce brand. VW will own the name only until 2003, when it must be surrendered to BMW.

Volkswagen won a bidding war with BMW for the Rolls-Royce company, which produces both the Rolls and Bentley lines, but the rights to the Rolls brand name and the coveted double-R logo remained in a legal quagmire. Rolls Royce PLC, a separate company that makes aircraft engines, had veto power over transferring the name to a foreign company, and it sided with BMW, with which it has a joint venture to produce jet engines.

After extensive wrangling, Mr. Piech agreed to settle the fight by giving up the Rolls-Royce name after five years.

At the Geneva Motor Show, the results were a striking contrast between the two brands' exhibits. The Bentley concept car, which the company calls the Humandieres Project, for a stretch on the Le Mans race circuit, attracted great attention. The Rolls exhibit nearby, with little new to offer, remained a lonely outpost.

Mr. Piech seems intent on injecting new electricity into the venerable brand he gets to keep, but he doesn't want to alienate traditional customers with designs that are too modern, too trendy or perhaps simply too German.

In a sign of how seriously he takes that problem, Mr. Piech has arranged to fly a half-dozen members of Britain's Bentley Drivers' Club to VW headquarters in Wolfsburg, Germany, for a two-day peek at his latest projects and to have their cars shipped there for the festivities.

What Dr. Piech wants to know from us is what we perceive to be the historical values of Bentley motor cars," said Michael Sanders, a businessman who is also chairman of the Bentley Club. He said a radical new look might be a good idea.

"There has been a move in the past 10 years to move Bentley into more of a sporting vein," Mr. Sanders said. "If you ask a school child what kind of car he'd like when he grows up, it will always be a Porsche or a BMW or a Ferrari — they never say Bentley. If you are going to be successful, you have to capture that kind of excitement."

Some in the industry say Mr. Piech's real aim is to develop a less expensive line of cars — Baby Bentleys — and to bolster volume to 8,000 cars a year from fewer than 2,000 now. But until those new cars are ready, Mr. Piech appears to be testing the waters for guidance on what will or will not sell with a trademark Bentley mesh grill on the front.

"What we're doing is offering up an idea of the directions we could go in," said John Crawford, a spokesman for Bentley.

SHORT COVER

No Quick End for Malaysia's Tax

KUALA LUMPUR (Bloomberg) — Malaysia is unlikely to abolish its exit tax on foreign investment soon and may sell government bonds and stakes in banks and other companies if necessary to raise funds, Prime Minister Mahathir bin Mohamad said Sunday.

Last month, Malaysia replaced its ban on foreign portfolio investors taking money out of the country with a graduated exit tax.

An estimated \$18 billion was trapped in Malaysia when the country first blocked repatriation of profits from sales of stocks and bonds. Since introduction of the exit tax, Malaysia's key stock index has tumbled more than 9 percent. Foreign investors remain wary of putting fresh money into the country.

Consumer Grips Mount in China

BEIJING (AP) — Chinese consumers are increasingly complaining about everything from fake seeds to the high prices for phone service, a newspaper reported Sunday.

More than one-quarter of the 667,000 complaints last year to the China Consumers Association were about the state-run telecommunications service, the Business Weekly said.

In a series of reports for International Consumers' Day on Monday, the Business Weekly said consumer complaints were still mainly about shoddy household appliances and garments, but that complaints over telecommunications and medical services were growing rapidly.

Kuwait to Reduce Oil Production

KUWAIT (Bloomberg) — Kuwait's oil minister said his country would cut its oil output by about 144,000 barrels a day from next month as part of a new initiative by the world's oil producers to lift prices.

Sheikh Saud Nasser al Sabah, addressing the Kuwaiti Parliament, said the agreement "was not final yet." It would not be ratified until the Organization of Petroleum Exporting Countries meets in Vienna on March 23, he said. Kuwait, which produced 1.99 million barrels a day in February, made two oil output cuts totaling 225,000 barrels per day in 1998 under agreements that failed to increase prices, which fell to 12-year lows in December.

Saudi Arabia, the world's largest oil producer, and a dozen other countries, including non-OPEC producers Norway, Mexico and Oman, are set to cut output a further 2.7 percent.

Investigation at Lloyd's of London

LONDON (AP) — Britain and the United States are investigating whether the Lloyd's of London insurance market is being used by "American gangsters" as a cover for scams that could cost hundreds of millions of dollars in lost claims, The Sunday Times reported.

Several British firms have been raided during the four-month investigation, code-named Operation Chain, said Nick Doak, a spokesman for Lloyd's.

The Sunday Times said the fraud is thought to involve bogus insurance companies set up by "American crime syndicates" — registered offshore in the Caribbean — which offer to cover aviation and shipping companies and Third World governments against losses due to natural disasters, air crashes and shipwrecks.

Crucial Day for Philippine Airlines

MANILA (AP) — Philippine Airlines Inc.'s frantic attempt to keep its planes flying will take a crucial turn Monday when creditors and regulators decide whether Asia's first carrier should vanish from the skies.

The airline must persuade the two parties that it has a viable plan to steer itself back into profit and repay a mountain of debt. If creditors decide the plan does not fly and capital market regulators find their objections valid, "we will not hesitate to deny the rehabilitation plan and then order the closure of PAL," the Securities and Exchange Commission chief, Perfecto Yassa, has warned.

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CALVIN AND HOBBS



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SPORTS

Pohlman Lifts Auburn Over Oklahoma State

By Barry Jacobs
New York Times Service

INDIANAPOLIS — Auburn, the best team in the Southeastern Conference during the regular season, is noted for its overall athleticism, its 20 offensive rebounds per game and its trapping defensive pressure.

But when the top-seeded team in the South Regional was unable to shake Oklahoma State on Saturday, it turned to the most unassuming of Tigers, the slender sophomore guard, Scott Pohlman. His career-best 28 points proved the difference as Auburn defeated the ninth-seeded Cowboys, 81-74.

"It was like a boxing match," said Cliff Ellis, the Auburn coach. "They just wouldn't wilt. They wouldn't go away. We gave them the one-two-three punch."

The victory advanced Auburn (29-3) to the regional semifinal Thursday in Knoxville, Tennessee. The Tigers, seeded No. 1 in the region, will face fourth-seeded Ohio State, which beat 12th-seeded Detroit.

Oklahoma State (23-11) twice pulled within two points in the final minute and 21 seconds but could not catch the Tigers.

Leading the way for Auburn was Pohlman, a 160-pound (73 kilogram) guard from the Atlanta suburbs who has floppy, light brown hair and is nicknamed Opie, after the character from the old Andy Griffith television show of the 1960s.

Auburn held a 37-33 lead at halftime and pushed its lead to 10 points with 6:08 remaining on a jumper by Pohlman, who was 11 of 17 from the floor in the game. But behind the inside scoring of the forward Desmond Mason and the perimeter shooting of the guard Adrian Peterson, Oklahoma State pulled within four, 73-69, with 1:52 to go in the contest.

Peterson (27 points) made a 3-pointer and a long jumper during the burst. Mason (26 points and 9 rebounds) added three inside baskets and a free throw as he outplayed the forward Chris Porter, the Southeastern Conference player of the year.

With the Cowboys closing in, Porter was fouled and made one of two free throws to push the lead back to 5. Joe Adkins responded with a long 3-pointer for Oklahoma State, and with 1:21 left, the Auburn lead was down to 74-72.

On the Tigers' next possession, Pohlman leaned into Brian Montonati, the 220-pound Cowboys forward, sending him sprawling. With a clear view of the basket, Pohlman sank a jumper in the lane and Auburn led by four with 51.9 seconds remaining.

"I don't know what it was," Pohlman said of his scoring. "I was just getting good looks at it. I can't explain it."

Porter's inadvertent tip-in of an errant 3-pointer by the Cowboys cut the lead to 76-74 with 34.2 seconds left, but Auburn made five of six free throws in the final 29 seconds to preserve its victory.

Oklahoma State was able to hold its own on the boards in the first half, fighting to a 21-21 draw against a Tigers squad that enjoyed the nation's fourth-best rebound margin. For the game, Auburn held a 35-29 rebounding edge.

But Oklahoma State could not contain Pohlman.

"He's one of those guys who doesn't look like he's going to sit there and bite you, but he does," Ellis said.

Pohlman scored 11 unanswered points in a span of less than three and a

half minutes in the first half, the last on a lay-up off an inbound pass, to put Auburn into the lead for good, 80-71.

Auburn, making its first NCAA appearance since 1988, has not been in many close games this season, giving rise to doubts about its toughness. The Tigers — only the ninth team to become the No. 1 seed a year after failing to reach the tournament — answered those doubts, at least for now.

Of the previous eight, three reached the Final Four, most recently Minnesota in 1997.

In other South Regional games, The Associated Press reported:

Ohio State 75, Detroit 44 Ohio State held Detroit scoreless for the opening 10 minutes and went on to rout the Titans.

Michael Redd and Scoonie Penn scored 15 points apiece for the Buckeyes, who raced to a 12-0 lead as Detroit missed its first 13 shots.

St. John's 84, Indiana 61 In Orlando, Florida, Boosy Thornton scored 17 points and Lavar Rossell had 16 points and 10 rebounds as St. John's handed Indiana its worst NCAA tournament loss ever.

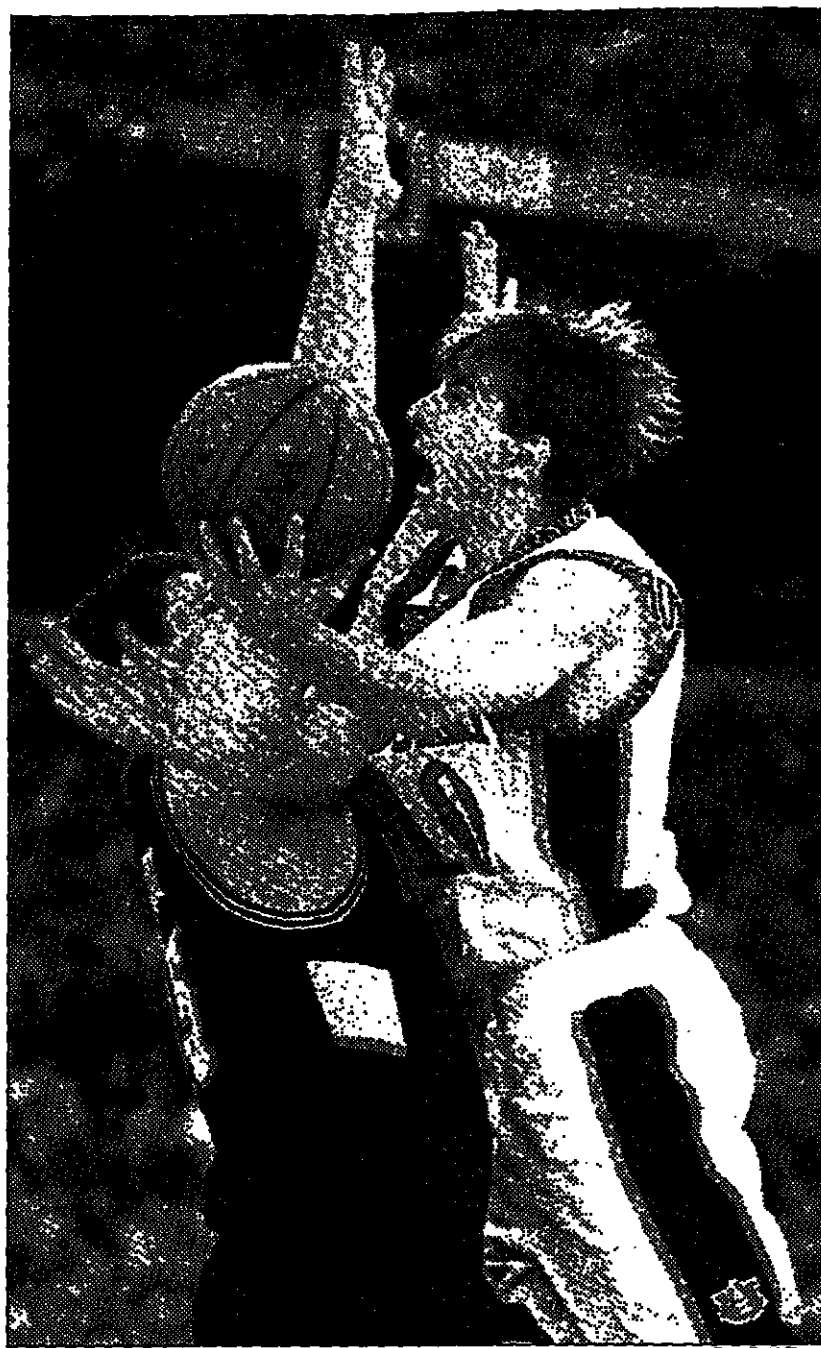
The Red Storm routed the Hoosiers just two days after Indiana scored 108 points in a first-round victory over George Washington.

St. John's advanced to the round of 16 for the first time since 1991.

Maryland 75, Creighton 63 Steve Francis had 18 points and 13 rebounds, and Terence Morris added 20 points as Maryland set a school record for victories.

The Terrapins (28-5) broke away from Creighton with a 14-0 burst late in the first half. Creighton managed to cut a 21-point deficit to 10 with five minutes left, but then missed three shots and never got closer.

Ben Walker scored 15 points for Creighton, and Rodney Buford added 13 points to become the school's career scoring leader.



Scott Pohlman of Auburn, right, driving to the basket past Oklahoma State's Alex Webber. Auburn won the South Regional game, 81-74.

Gonzaga Triumphs Over Stanford, 82-74

Upset in West Eliminates Last Pac-10 Team

By Anthony Gimino
Washington Post Service

SEATTLE — If West Coast basketball is to be represented well in the 1999 NCAA tournament, it won't be Pacific-10 Conference teams doing it.

Gonzaga, the West Coast Conference champion, eliminated the Pac-10's last remaining team Saturday, upsetting second-seeded Stanford, 82-74, in a West Region second-round game. The 10th-seeded Bulldogs led for nearly the entire game, outrebounding their bigger opponent, 47-33, and holding steady when Stanford tied the game with just over 11 minutes left.

Gonzaga got key 3-pointers from its guards, Matt Santangelo and Quentin Hall. Hall's shot made it 66-57 with 3 minutes and 20 seconds left, shutting the door on Stanford (26-7), which had advanced to the Final Four last season, returned all of its starters and won its first outright conference championship since 1942.

Just to be sure, the Bulldogs, who never had won an NCAA tournament game, made 13 of 16 free throws in the final two minutes. "The longest two minutes of my basketball life," said Dan Monson, the Gonzaga coach.

The victory made 10th-seeded Gonzaga, a school of 4,500 students in Spokane, Washington, one of the 16 finalists for the college championship, heady territory for a school that was known mainly in basketball circles only as the school that produced the Utah Jazz star, John Stockton, in the mid-1980s.

The Bulldogs' regional semifinal opponent Thursday night in Phoenix will be sixth-seeded Florida. The Gators were taken to overtime by 14th-seeded Weber State on Saturday, but they survived 32 points from Harold Arceneaux to usher out another team from the West.

Unlike teams from the Pac-10, Weber State of the Big Sky Conference made at least a splash in the tournament, stunning third-seeded North Carolina in the first round behind 36 points from Arceneaux.

Weber State was in position to advance further Saturday when one of its guards, Noel Jackson, was fouled while

attempting a three-point shot with 8.2 seconds left in regulation. But Jackson made only the first and third of his three free throws, leaving the game tied at 68. So Gonzaga left the arena carrying the flag for Western basketball.

Perhaps the man most responsible for felling Stanford's coaches once coveted, or the Cardinal's coaches once coveted, was Santangelo.

They offered him a scholarship when he was a junior in high school in Portland, Oregon, but they wanted a quick answer. Santangelo held off the impatient Cardinal, saying he needed time to look at other schools. "It was never a questionable decision," Santangelo said. "I knew before this game that it was a good decision."

He outplayed Stanford's more heralded point guard, Arthur Lee. Santangelo scored 22 points — making all three of his 3-point tries — and had six rebounds and six assists. Lee scored 24 points but shot 6 of 18 from the field. "He's so talented," Santangelo said of Lee. "I looked at it as an opportunity."

The Zags gave the fans even more reason to cheer when they hit five 3-pointers while building a 23-10 lead.

However, the Cardinal clawed back to within 34-30 by halftime with the towering center Tim Young and the rugged power forward Mark Madsen leading the way. The Cardinal kept close, finally drawing even at 49 with 1:18 to play in the game.

If there was a time for Gonzaga to fold, this might have been it. Instead, Stanford went without a field goal for the next four minutes, and the Zags grabbed the lead, this time for good.

Florida 82, Weber State 74 Weber State's Arceneaux put on another entertaining display in a losing cause.

The junior from New Orleans had 21 points at halftime on 8-of-12 shooting as Weber State took a 40-35 lead. But Florida was rotating more players into the game and was the fresher team in the second half, although it couldn't pull away despite taking a 58-53 lead with just under nine minutes left. In overtime, Billy Donovan, the Florida coach, went to a zone defense, and Arceneaux scored two points in the extra period.

"Arceneaux might be the best player that I've seen this season," Donovan said. "I can see why they call him 'The Show.' He's flat-out ridiculous."

In other Western Regional games, in Denver, The Associated Press reported: Connecticut 76, New Mexico 56 Connecticut, the top seed in the West, scored the first 17 points of the game and cruised into the round of 16.

Richard Hamilton and Khalid El-Amin each scored 21 points for UConn, which held the Lobos scoreless for the first 7:12. After that, the Huskies seemed content to trade baskets with a New Mexico team that has lost four straight second-round games in the NCAA tournament.

Iowa 82, Arkansas 72 Kent McCausland hit five 3-pointers in the second half, and Iowa closed the game with a 23-6 run.

McCausland and Dean Oliver each scored 17 points for the Hawkeyes, who overcame a 13-point deficit to advance to the round of 16 for the third time under their departing coach, Tom Davis.



Dan Monson, the Gonzaga coach, reacting to a refereeing decision.

Duke Takes No Tulsa Prisoners, 97-56

The Associated Press

CHARLOTTE, North Carolina — Duke, equipped with the most intimidating offense in America, reminded Tulsa and the rest of the NCAA tournament field Sunday that it hasn't been neglecting its defense.

The top-seeded Blue Devils (34-1), seemingly contesting every dribble, pass and shot, limited the Golden Hurricane to 28 percent first-half shooting en route to a 97-56 rout in the second round of the East Regional of the National Collegiate Athletic Association tournament.

Duke won its 29th straight game to advance to the round of 16 for the 10th time under Coach Mike Krzyzewski. The team's 34th victory also tied the 1992 national title team for second most in school history as William Avery had 19 points, Elton Brand had 17 and Shane Battier had 14.

Greg Harrington led Tulsa, which turned the ball over 20 times, with 15 points.

Krzyzewski said he wanted to pick up the pace with the return of Duke's 3-point ace, Trajan Langdon, who missed the last three games with a foot injury. As usual, Duke followed his orders.

Duke beat 16th-seeded Florida

A&M by 41 in its tournament opener Friday and had beaten its last 10 opponents by an average of 31 points a game. Tulsa (23-10), the ninth seed, found out rather quickly it would become the latest victim.

Duke led 9-8, heading into the first television time-out, but emerged with a 14-0 run after Krzyzewski challenged his crew. Battier, Duke's defensive ace, sank a pair of 3-pointers and added a tip-in to fuel the spurt.

Tulsa, attempting to make the round of 16 for the third time in the '90s, then began to show its frustration with the Duke wrecking machine.

By late in the half, the Golden Hurricane big men, Michael Ruffin and Brandon Kurtz, had picked up three fouls each trying to stop Brand and a host of other Blue Devils from getting to the basket.

Duke's initial 14-0 run was part of a larger 30-5 run that left the Golden Hurricane down, 39-13, with 6:33 left in the half.

Coach Bill Self of Tulsa called a pair of 20-second time-outs during the spurt in an attempt to break Duke's momentum, but he just prolonged the agony as Avery, Brand and Battier combined to score 34 of Duke's first 36 points.

Langdon's 3-pointer four minutes later gave Duke a 20-point lead. The senior scored 12 points in his first game back in 10 days.

Duke settled for a 53-23 halftime lead — the 24th time this season the Blue Devils have cracked the 50-point barrier by the half. Langdon's 18-footer with 11:52 left gave Duke a 40-point lead.

Ruffin, Tulsa's leading scorer, was "shut out," going 0-for-3 from the field in 33 minutes.

Duke Women's Team Wins

Duke outrebounded Holy Cross, 46-18, and got 18 points from Michele VanGorp in a 79-51 victory in an East Regional NCAA tournament game, The Associated Press reported from Durham, North Carolina.

Duke (25-7) generated 21 second-chance points from 15 offensive rebounds while Holy Cross managed only four second-chance points off two offensive rebounds. Georgia Schweitzer added 14 points for Duke, while Hilary Howard contributed nine points and five assists.

The Blue Devils also frustrated Holy Cross star Amy O'Brien, who was 10th nationally in scoring with a 22.5 average.

Miami Routs Nets to Spoil Marbury Debut

The Associated Press

Alonzo Mourning had 25 points and 11 rebounds as the Miami Heat won their 10th straight home game and spoiled Stephon Marbury's debut for New Jersey by beating the Nets, 102-76, on Sunday.

Marbury, acquired from Minnesota on Friday in a three-team deal, led the Nets with 21 points and five assists and

NBA Roundup

played Miami's Tim Hardaway to a virtual standstill. But New Jersey could not match Mourning's inside presence and lost its seventh straight game and 13th in 14 games.

Mourning came within a rebound of a double-double in the first quarter alone, collecting 12 points and nine rebounds as the Heat took a 25-20 lead.

The New Jersey centers Jayson Williams and Jim McIlvaine were in foul trouble from the start, as Williams picked up two personals in the opening 2:09. By the 4:06 mark of the third quarter, Williams had four fouls and McIlvaine five. Both wound up fouling out.

Pacers 99, Celtics 96 Rik Smits had 14 of his season-high 28 points in the fourth quarter and combined with Reggie Miller to bring Indiana back from a 10-point deficit in the final seven minutes as the Pacers defeated visiting Boston.

Indiana trailed, 88-78, before Smits ignited the rally with a basket with 6:36 to go. Miller, who had 19 points, followed with a jumper and a 3-pointer.

Indiana kept the pressure on, but Boston had an answer to nearly every challenge until Travis Best hit a 3-pointer, tying the score 94-94 with 2:44 remaining. The score was tied again at 96 before Smits connected from 14 feet with 26.1 seconds remaining.

In games played Saturday: Jazz 99, Timberwolves 72 Karl Malone scored 26 points and pulled



The Mavericks' A.C. Green, at his 1,000th game, grabbing the ball ahead of teammate Shawn Bradley.

down nine rebounds as the Jazz trounced the visiting Timberwolves. John Stockton dished out 10 assists.

Hawks 86, Raptors 75 In Atlanta, Alan Henderson scored a season-high 24 points and Steve Smith added 17 as the Hawks beat Toronto.

Mavericks 91, Grizzlies 74 In Dallas, Hubert Davis hit four three-pointers in the fourth quarter to lead the Mavericks, who celebrated forward A.C. Green's extension of his NBA record playing streak to 1,000 consecutive games.

Rockets 100, Cavaliers 89 Hakeem Olajuwon continued his resurgence with 24 points, and Scottie Pippen scored 15 of his 16 points in the second half as Houston beat visiting Cleveland.

Spurs 92, Nuggets 61 In San Antonio, Tim Duncan scored 27 points to lead San Antonio to its seventh straight victory.

The 61 points by Denver set a franchise low for points in a game and was the lowest point total ever scored against San Antonio.

Magic 87, Warriors 74 Reserve Darrell Armstrong had 16 points as Orlando overcame poor shooting by its starting backcourt to break a three-game losing streak by winning in Oakland.

Trail Blazers 106, Clippers 96 Brian Grant scored eight points in overtime as Portland won in Los Angeles.

Flames' 2d Comeback Helps Them Beat Capitals, 5-4

Washington Post Service

WASHINGTON — The Washington Capitals allowed the Calgary Flames to overcome two separate two-goal deficits — including one that held until 90 seconds remained in regulation — and claw out an overtime victory.

The Flames won, 5-4, Saturday, to move into a tie with Edmonton for the

NHL Roundup

final playoff berth in the Western Conference, while the Capitals remained nine points behind the Boston Bruins for the final postseason spot in the East.

Valeri Bure scored the game-winner 3 minutes and 31 seconds into overtime to finish a comeback he started with 90 seconds remaining in regulation. At that point, the Capitals looked in control of the game with a 4-2 lead, but Bure was able to score on his own rebound to put the Flames back in the game.

The Capitals looked uneasy immediately, and center Jeff Shantz gave them

good reason less than a minute later when his goal tied the game at 4-4. It was the second time the teams had done the same dance: Craig Berube and James Black scored in the game's first eight minutes to give Washington a 2-0 lead, an advantage Calgary erased with second-period goals from Hnat Domenichelli and Rene Corbet.

Those goals led Ron Wilson, the Capitals coach, to pull the starting goaltender, Olaf Kolzig.

But his replacement, Rick Tabaracci, was not able to hold off the Flames any better late in the game.

"Everyone in the building thought we were in good shape at 4-2," Brian Bellows of the Capitals said. "All of a sudden it was 4-3, and you could feel things tighten up a little bit. The fourth goal was like a pinball, hitting six guys before it trickled over the line. In overtime it seemed that we regrouped a little bit, but then the next thing you know we've lost the game."

"This one certainly hurt."

In other games, The Associated Press reported:

Canadians 2, Maple Leafs 1 In Montreal, Sergei Zholtok scored the go-ahead goal in the second period and Jeff Hackett made 27 saves as the Canadians beat Toronto. Benoit Brunet, who missed the last four games with a back injury, also scored for the Canadians.

Penguins 4, Flyers 0 Jaromir Jagr scored a goal for his 100th point of the season and assisted on three others as Pittsburgh beat visiting Philadelphia, extending the Flyers' winless streak to 10 games.

Blues 6, Oilers 4 In St. Louis, Craig Conroy had a goal and two assists and Grant Fuhr, the goalie, recorded his 100th victory for St. Louis as the Blues snapped a four-game losing streak by beating Edmonton.

The Blues trailed 4-3 entering the third period, but Mike Eastwood scored from in front 18 seconds into the period to tie the game. Just 3:01 later, Lubos Bartek scored the game-winner.

Sharks 3, Senators 2 Ron Stern scored twice in a three-goal first period in San Jose as the Sharks beat Ottawa. The Sharks built a 3-0 lead in the first seven minutes on the goals by Stern and another by Andrei Zynin, which was just enough to hold off a late rally by the Senators.

Kings 3, Canucks 1 Jozsef Stumpel recorded his third two-goal game of the season and Donald Audette had a power-play goal as Los Angeles beat visiting Vancouver.

Coyotes 1, Mighty Ducks 0 In Phoenix, Mike Stapleton scored 1:33 into the second period and Nikolai Khabibulin made 27 saves for his seventh shutout of the season as the Coyotes beat Anaheim.

Sabres 3, Bruins 1 In Buffalo, Michael Grosse scored the winning goal and Dwayne Roloson, the goalie, shut the door as the Sabres beat Boston.

Panthers 1, Lightning 0 Rob Niedermayer scored a second-period goal and Sean Burke made 24 saves as the Florida Panthers beat visiting Tampa Bay for the fourth time in as many meetings.

Wells Is Sharp, Wood Is Flat and Garth Brooks Is Out of Tune

The Associated Press

David Wells and Kerry Wood made belated spring debuts with very different results.

Wells, sidelined by back spasms earlier in the month, pitched one perfect inning in his first outing since Game 1 of last year of the World Series as the Toronto Blue Jays lost to the Pittsburgh Pirates, 7-5, on Saturday.

"The adrenaline was pumping out there," said Wells, who was traded from the New York Yankees to Toronto last month for Roger Clemens.

"It doesn't matter if it's preseason or postseason," he said. "The butterflies are there any time you face major league hitters."

But Wood, finally recovered from an upper respiratory and gastrointestinal illness that sidelined him for the early part of spring training, couldn't find the plate Saturday as a split Chicago Cubs squad lost to the California Angels, 6-5, in Tempe, Arizona.

"It was good to be out there," he said, still

sweating from his in-game laps across the outfield. "It's been a while."

Wood, who was Rookie of the Year last year in the National League, allowed three runs and three hits in 1 1/2 innings, walking two and striking out none. He

Spring Training

threw to nine batters, and 16 of his 26 pitches were balls.

At one point in the second inning, Wood threw 10 consecutive balls, prompting manager Jim Riggleman to make a trip to the mound.

"A little out of whack across the body at the end," Wood said of his problem. "I was trying to throw strikes. They could have hit me out of the park. I wouldn't have cared."

Wells threw only 11 pitches in the sixth inning, retiring Ivan Cruz on a grounder to second, striking out Brant Brown and getting Al Martin on a weak

popout to short.

"You don't want to be out there all day," Wells said. "My philosophy has always been strike one, strike two and whatever happens, happens."

Garth Brooks, the country-music singer, continues his adventures in spring training with the San Diego Padres.

His misplay contributed to the Padres' 2-1 loss to the Milwaukee Brewers.

Brooks, playing left field in the ninth, stepped back, then sprinted forward and fell as a sinking drive by Milwaukee's Alex Ochoa fell off his glove.

Ochoa was credited with a double and scored moments later on a single to center by Todd Dunn, giving the Brewers the victory over the split-squad Padres.

"I feel like I let these guys down," said Brooks, hitless in two trips to the plate.

"I dropped that ball in the ninth with two out," he said. "It just kills me."

SPORTS

Lewis on Holyfield Draw: 'I Got Robbed'

By Timothy W. Smith
New York Times Service

NEW YORK — Lennox Lewis, fighting a strategically sound fight and displaying magnificent boxing skills, was disappointed by the decision, and Evander Holyfield, looking like an aging warrior who could no longer summon the spirit and the fortitude to win convincingly, somehow fought to a draw at Madison Square Garden.

It wasn't Ali-Frazier I. It was more like a Brinks truck heist perpetrated in front of a stunned, sellout crowd of 21,284.

Judge Jean Williams of Atlantic City scored the fight Saturday, 115-113, for Holyfield. Judge Stanley Christodoulou of South Africa scored the bout, 116-113, for Lewis, and Judge Larry O'Connell of Britain scored it 115-115. O'Connell scored six of the last seven rounds for Holyfield and had the 10th round even.

The decision was one of the worst in recent memory, particularly in light of the magnitude of the fight for the undisputed heavyweight championship of the world.

As a result of the draw, Holyfield (36-3-1) keeps his World Boxing Association and International Boxing Feder-

ation titles, and Lewis (34-1-1) keeps his World Boxing Council title.

"I feel like the champ," Holyfield said. "I can't fight and score. People around the ring are not the judges."

Lewis and his camp were thoroughly disgusted by the decision. And the crowd booed derisively as the decision was read. "I got robbed," Lewis said. "I controlled the whole fight." And with that, Lewis left the ring in disgust.

Lewis's promoter, Panos Eliades, said: "Forget the rematch. It was a fix."

It was the kind of decision that will hurt boxing as much as Mike Tyson biting Holyfield's ears in 1997. The buildup to this bout was tremendous, luring nonboxing fans to a spectacular event only to have them see the outcome altered by questionable scoring.

"It wasn't even close," said Emanuel Steward, Lewis's trainer. "This is what is killing boxing."

Later in his dressing room, after he had calmed down a bit, Lewis said he was very disappointed with the decision.

"I am the undisputed heavyweight champion of the world," he said. "What you saw in there was called politics. It

was my time to shine and they ripped me off."

It was a wholly unsatisfying outcome for all involved, except the promoter, Don King, who gets to try to make it happen all over again, if the public forgives him for this fiasco.

Roy Jones Jr., the World Boxing Association and World Boxing Council light heavyweight champion, serving as a commentator on the U.S. pay-per-view telecast, said he was "astounded" after hearing the verdict.

"It's totally unfair," Jones said. "Lennox Lewis did not lose, and it was not a draw."

Lewis was the much busier fighter during the 12 rounds. He connected on 348 of 613 punches, while Holyfield landed just 150 of 385. Holyfield had six rounds where he landed in single digits in punches.

The fight certainly got off to a rousing start. Lewis, who was born in London to Jamaican parents but moved to Canada as a child, was trying to become the first British-born heavyweight champion since Bob Fitzsimmons held the title from 1897 to 1899.

Lewis, in his red trunks trimmed in

gold and green, entered the ring to the reggae music of Bob Marley, while Holyfield entered to gospel music.

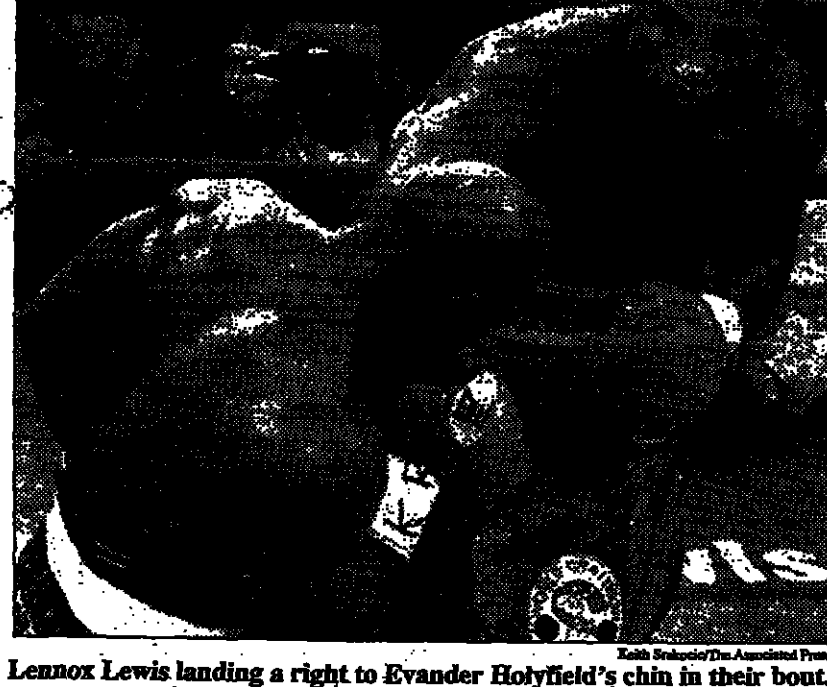
For the first two minutes of Round 1, Holyfield didn't land a punch as Lewis kept him at bay with a pawing jab.

Holyfield, who landed just 8 of 24 punches in the first two rounds, came alive in the third — the round he had predicted he would knock Lewis out in.

In the fifth round, Lewis landed a big right hand on the top of Holyfield's head as he was spinning away, and then he pinned Holyfield on the ropes and caught him with some big uppercuts. Holyfield lay on the ropes for 45 seconds without throwing a punch.

Near the end of the sixth round, Lewis popped three stiff jabs in Holyfield's face. They were his snappiest jabs of the fight to that point.

Midway through the 12th and final round, a chant of "Lewis! Lewis!" went up from the crowd. As he clutched with Holyfield in the waning seconds, Lewis raised his right hand triumphantly. And the O'Jays' song "Gotta Get the People What They Want" began blaring. On this ignominious night, no one got what they wanted, least of all Lennox Lewis.



Lennox Lewis landing a right to Evander Holyfield's chin in their bout.

Paris-Nice Tests Cycling's Popularity

By Samuel Abt
International Herald Tribune

NICE — The usual crowd of sporting types was active on and around the Promenade des Anglais here Sunday morning, reveling in the hot sun — joggers, in-line skaters, recreational bikers, strollers, all-weather swimmers and skateboarders.

The 105 remaining riders of the 128 who started the Paris-Nice race a week ago were there, too. The sky was a pure blue except for vapor trails leading to Nice's airport, the miniosa in flower, the hills in the background are covered with lavender, and the Mediterranean laps politely at the pebbled beach.

The lark's on the wing, the snail's on the horn, all's right with the world — or is it?

After the first major multiday race of the season, what conclusions can be drawn about the popularity of professional bicycle racing after a drug scandal nearly scuttled the Tour de France last year? Are fans still turning out in big numbers, or are they staying away, disillusioned to learn that illegal performance-enhancing drugs are taken not only by marginal riders, as was long the common wisdom, but also by members of the sport's formerly top-ranked team, Festina?

"It's a little bit calmer" would be the most positive way to put it," said Chris Boardman, an authentic Englishman promenading, or at least weaving slowly on his bicycle, on the Promenade des Anglais. The leader of the Credit Agricole team said he did not believe there was any backlash among spectators. "I think the Festina affair's got nothing to do with it really," he said.

"Obviously, the race is missing one or two really big names," he continued. "We need the big names."

Many top riders and teams shunned this 60th Paris-Nice in a continuing protest over the French police crackdown in the Tour and are competing instead in the concurrent Tirreno-Adriatico race in Italy.

Axel Merckx, a Belgian with Mapei who was in his fourth Paris-Nice, said the fan numbers were the same this year as previously.

"Usually, there aren't many big crowds," he said. "The last day is usually the biggest, maybe because it's Sunday." The start and finish areas in Nice were thronged, as they have rarely been during the week.

"And look at how popular Vireneque is," Merckx added. "You can't say the sport has lost any of its popularity."

Richard Vireneque, the former leader of Festina and a controversial figure in France because, almost alone on the team, he has not admitted using drugs, has indeed remained the fans' darling, especially after he finished second Saturday.

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unday in the major mountain stage of the race.

"The only name you saw painted on all the roads was Vireneque," noted Frankie Andreu, an American with U.S. Postal Service. "I don't know about the sport itself, but you can't say he's lost any popularity."

Vireneque finished the race in a surprisingly strong 14th place.

The winner, adding his name to a list that includes such recent champions as Sean Kelly, Miguel Indurain, Tony Rominger and Laurent Jalabert, was Michael Boogerd, 26, the Dutch leader of the Rabobank team. His teammate, Markus Zberg, a Swiss with Rabobank, was second and Santiago Botero, a Colombian with Kelme, was third.

Last year's winner, Frank Vandenbroucke, a Belgian who leads Cofidis, was fourth, ahead of two other Rabobank riders: Marc Waerhaeghe, a Belgian, in fifth place and Maarten den Bakker, a Dutchman, in sixth place. Vandenbroucke had the bad luck to see his rear tire puncture while nearly the entire eight-man Rabobank team was leading an attack on the second stage Saturday.

By the time he replaced the tire, Vandenbroucke had lost nearly two minutes and the race. Although he won the big climb Saturday to salvage some honor, he was unable to shake Boogerd and finished overall 2 minutes and 13



Michael Boogerd riding Sunday in the final stage of the Paris-Nice. Boogerd was the overall winner.

seconds behind the Dutchman.

Everybody gets a chance to settle accounts in the next big race, the Milan-San Remo one-day classic on Saturday. Perhaps the crowds in Italy will be bigger than they were here.

Moya Takes Over as No. 1

Graf Loses a Final for First Time Since '94

By Robin Finn
New York Times Service

INDIAN WELLS, California — It took a little bit of prayer and a lot of topspin, but Carlos Moya became the first Spaniard to attain the No. 1 ranking in men's tennis.

With the desert sun serving as a natural spotlight Saturday, Moya replaced the slumping Pete Sampras at the top of the standing when he beat Gustavo Kuerten, 6-3, 1-6, 6-1, to reach the final of the Newsweek Champions Cup.

"It's good to be king," Moya said.

His history-making semifinal victory was followed by another bravura breakthrough. Serena Williams, 17, stormed to her second consecutive title, and collected \$200,000, by ousting the two-time champion Steffi Graf, 6-3, 3-6, 7-5, in the final of the Evert Cup.

"I know I can win the big ones now," said Williams, who is unbeaten in her last 11 matches. "That's enough to win a Slam."

Williams had bragged of possessing the best forehand on the tour, and Saturday, despite falling behind a service break after the first game of the third set, she used it, along with nine aces, to deny the 29-year-old Graf a 10th career title. Graf made it clear that Williams, who

pounded out 35 winners while Graf had just 11, deserved the title for being the more aggressive player.

"She was just going for her shots more than I did, and that was the difference at the end," said Graf, who surrendered her third-set service break with a netted backhand in the eighth game. Serving at 5-6, Graf plopped a forehand into the net to set up double match point for Williams, then soared a forehand long to give Williams her second title in as many finals. Graf had not lost a final since the 1994 U.S. Open.

After his victory, Moya proclaimed himself not just the king of the world computer ranking, but the king of the world — "at least for a week," said Moya, a self-described lazybones from Majorca who does his share of Walter Mitty fantasizing and has even dreamed his way into a Wimbledon final.

"I was the big one of clay, and now I've been king of the world," said Moya, 22.

Moya had been worn to a frazzle by Kuerten in their four previous meetings, all of them contested on clay, but on Saturday, with everything at stake, Moya achieved his ultimate goal on his first attempt. "I had motivation to be the best Spanish player, and the No. 1," he said. "The world works like that. When I have a goal, I get there."

SCOREBOARD

BASEBALL

EXHIBITION BASEBALL					
Texas & Toronto 7					
San Jose & Cleveland 2					
San Jose & Cleveland 2					
San Jose & Cleveland 2					
San Jose & Cleveland 2					
San Jose & Cleveland 2					
San Jose & Cleveland 2					
San Jose & Cleveland 2					
San Jose & Cleveland 2					
San Jose & Cleveland 2					

BASKETBALL

NBA STANDINGS					
Atlantic Division					
Miami	15	5	730		
Orlando	15	7	782		
Philadelphia	12	8	820		
New York	12	9	830		
Washington	8	12	840		
Charlotte	9	13	850		
San Jose	13	14	860		
San Jose	13	14	860		
San Jose	13	14	860		
San Jose	13	14	860		

NCAA TOURNAMENTS

BASEBALL					
Atlantic Division					
Miami	15	5	730		
Orlando	15	7	782		
Philadelphia	12	8	820		
New York	12	9	830		
Washington	8	12	840		
Charlotte	9	13	850		
San Jose	13	14	860		
San Jose	13	14	860		
San Jose	13	14	860		
San Jose	13	14	860		

CRICKET

ASIAN TEST CHAMPIONSHIP FINAL					
India	15	5	730		
Orlando	15	7	782		
Philadelphia	12	8	820		
New York	12	9	830		
Washington	8	12	840		
Charlotte	9	13	850		
San Jose	13	14	860		
San Jose	13	14	860		
San Jose	13	14	860		
San Jose	13	14	860		

RUGBY UNION

WORLD CUP FINALS					
Atlantic Division					
Miami	15	5	730		
Orlando	15	7	782		
Philadelphia	12	8	820		
New York	12	9	830		
Washington	8	12	840		
Charlotte	9	13	850		
San Jose	13	14	860		
San Jose	13	14	860		
San Jose	13	14	860		
San Jose	13	14	860		

SOCCER

WORLD CUP FINALS					
Atlantic Division					
Miami	15	5	730		
Orlando	15	7	782		
Philadelphia	12	8	820		
New York	12	9	830		
Washington	8	12	840		
Charlotte	9	13	850		
San Jose	13	14	860		
San Jose	13	14	860		
San Jose	13	14	860		
San Jose	13	14	860		

TRANSITIONS

BASEBALL					
Atlantic Division					
Miami	15	5	730		
Orlando	15	7	782		
Philadelphia	12	8	820		
New York	12	9	830		
Washington	8	12	840		
Charlotte	9	13	850		
San Jose	13	14	860		
San Jose	13	14	860		
San Jose	13	14	860		
San Jose	13	14	860		

WORLD ROUNDUP

A Century for Lara

CRICKET Brian Lara revived his own career and the West Indies' fortunes with a brilliant century against Australia in the second test on Sunday in Kingston, Jamaica.

After a slow start with his team struggling to avert another disastrous batting display, Lara hit an unbeaten 113 as West Indies reached 227 for four at tea on the second day in reply to Australia's first innings 256.

At that stage, Lara and Jimmy Adams (46 not out) had shared an unbroken partnership of 171.

In an absorbing afternoon of play, Lara, the world record holder of the highest test and first-class scores, took on possibly the world's best fast bowler, Glenn McGrath, and spinner, Shane Warne — and he won. It was Lara's first test century since June 1977, against Sri Lanka. (Reuters)

Akram Repeats Hat Trick

CRICKET Wasim Akram, the Pakistan fast bowler, took Sri Lanka wickets with three consecutive deliveries Sunday to become the first man to take hat tricks in successive tests. Akram's bowling helped cement Pakistan's grip on the Asian Test Championship final on the third day in Dhaka.

Pakistan made 594 all out in its first innings. Ijaz Ahmed hit 211, and Inzamam-ul-Haq made 200 not out. Sri Lanka made nine runs for three wickets in its second innings to close 353 runs behind. Akram achieved his first test hat trick in the preceding Asian Test Championship match, also against Sri Lanka, in Lahore. (AP)

Jimenez Retains Title

GOLF Miguel Angel Jimenez holed bunker shots on the 10th and 14th holes Sunday as he retained his Turespana Masters title in Malaga, Spain. The Spaniard hit a five-under 67 for a total of 264 to finish four strokes ahead of Steve Webster of England, who shot 66 and trailed by one stroke before Jimenez eagled the 14th. (AP)

Rodman Takes His Leave

BASKETBALL Dennis Rodman is taking an indefinite leave from the Los Angeles Lakers for personal reasons, the team said Sunday. Rodman missed practice Saturday and the team's flight to Sacramento for a game Sunday.

"He's got non-basketball personal issues he's attending to," said Tom Savage, a team spokesman. Savage said that Rodman had not specified what the issues were.

Rodman, accompanied by two bodyguards, arrived at the Lakers' training site Saturday as practice was ending. He had a brief conversation with Kurt Rambis, the coach, and then drove off in his white Mercedes-Benz. (AP)

Fiorentina Sinks in Venice As Recoba Strikes Twice

Lazio Draws, 0-0, at Empoli but Increases Its Lead

Compiled by Our Staff From Dispatches

Alvaro Recoba curled in two free kicks before halftime and added another late goal Sunday as Venezia upset Fiorentina, 4-1, spoiling Gabriel Batistuta's return to Serie A action.

Fiorentina slipped further behind the Italian league leader, Lazio, which also struggled on the road. It drew, 0-0, at Empoli, which is in last place in the division.

Recoba, a Uruguayan who had only three goals all season before Sunday, tallied in the 18th minute.

EUROPEAN SOCCER

and again in injury time at the end of each half for host Venezia, which rose to 10th place.

Venezia controlled the pace and won for the third time in four outings. Recoba's first goal came from 20 meters, on a shot that left the Fiorentina goalkeeper, Francesco Toldo, frozen as the ball nestled into the upper corner.

After the rookie midfielder Salvatore Miceli made it 2-0 in the 42d with his first career goal, the left-footed Recoba again fooled Toldo, firing in a second free kick from a difficult angle. He wrapped up his hat trick by stealing the ball from the defender Giuliano Falcone and dribbling along the goal line before scoring. Batistuta looked rusty and was taken off after 66 minutes.

The defeat left Fiorentina five points behind Lazio and level with Parma and AC Milan, which both played Saturday. Parma beat Bari, 2-1, while Milan drew, 2-2, with its chief rival, Inter Milan.

ENGLAND Middlesbrough halted its slide toward another relegation struggle with a 3-0 victory Sunday over next-to-last Southampton in the Premier League. The Danish striker Mikkel Beck and the Colombian forward Hamilton Ricard scored twice within a minute just before halftime, and the defender Steve Vickers added a third in the second half as Middlesbrough ended a nine-game winless streak by climbing two places to 12th in the 20-team standings.

On Saturday, Andy Cole scored twice against his former club, Newcastle, as Manchester United came from behind to win, 2-1, and maintain its lead in the league.

Arsenal, the defending champion, won, 2-0, at Everton as both teams finished with 10 men. Emmanuel Pette, an Arsenal midfielder who had just returned from injury, received a red card after two dangerous tackles on Olivier Dacourt. Chelsea, which is in third place, lost ground after it lost at home for the first time in the league this season. It was beaten, 1-0, by its London rival, West Ham.

GERMANY The Chinese striker Chen Yang scored in the 73d minute to salvage a 1-1 draw for Eintracht Frankfurt against Hertha Berlin in a Bundesliga game Sunday. Yang hit the crossbar in the 36th minute with a header, but it was Hertha that went ahead in the 59th on a goal by Bjornfur Sverrisson.

On Saturday, Bayern Munich recorded its seventh successive shutout in the Bundesliga when it beat Hamburg, 2-0. But the victory could prove costly for Bayern, which plays Kaiserslautern in the second leg of a European Champions League quarterfinal on Wednesday.

Giovane Elber, the Bundesliga's top scorer with 13 goals, was injured just before the half in a collision with Hans-Joerg Butt, the Hamburg goalie. The injury, which Munich officials suspect is a torn ligament, may end the season for the Brazilian.

SPAIN Rivaldo scored twice in the first half and Patrick Kluivert added an insurance goal to give Barcelona a 3-0 victory over Espanyol on Sunday to stay four points ahead of Valencia at the top of the Spanish first division.

The Brazilian's first goal came in the 16th minute on a wild, bouncing shot that hit the crossbar and dropped straight down. Rivaldo converted a penalty in the 29th after Jose Rojo was called for grabbing Kluivert. Kluivert made it 3-0 in the 52d minute by using his chest to control a pass from Luis Figo. He then slammed it home with his left foot while falling down backward.



Alvaro Recoba curling a free kick over Fiorentina's defensive wall to score for Venezia.

The victory gave Barcelona 50 points, four more than second-place Valencia, which beat Betis, 1-0, on Saturday.

In other games, Tulu Flores and Djalma Feitosa led Deportivo la Coruna to a 2-0 victory over Tenerife; Villarreal and Oviedo played to a scoreless tie, as did Valladolid and Real Sociedad, and Athletic Bilbao beat Salamanca, 1-0. Extremadura defeated Alaves by the same score.

NETHERLANDS Second-place Vitesse Arnhem closed the gap on the Dutch first-division leaders, Feyenoord, to eight points by beating Sparta Rotterdam, 3-1, on Sunday. But Feyenoord, which did not play this weekend, has two games in hand.

Vitesse had the match won by the 37th minute after goals by Dejan Curovic, Arco Jochimsen and Nikos Machlas. Dennis Krijgsman scored a late consolation goal for Sparta.

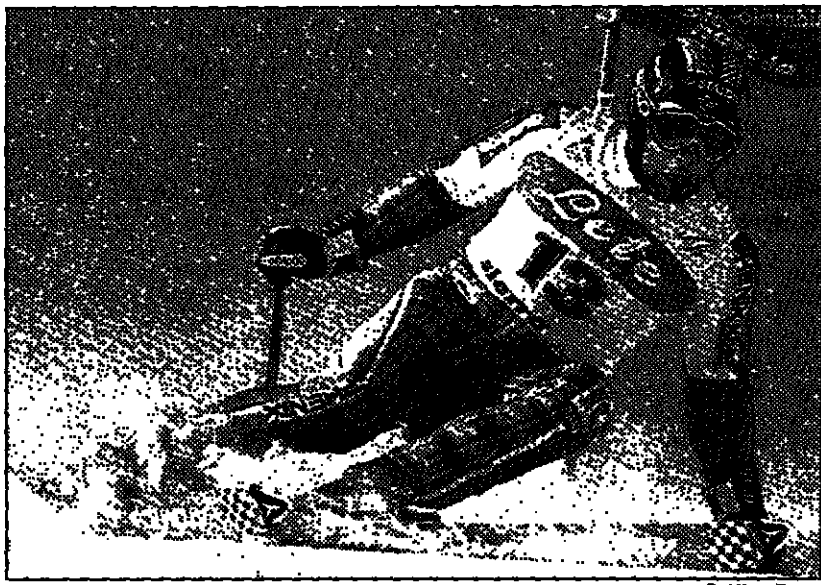
On Saturday, PSV Eindhoven continued its late-season surge with a 3-0 victory over Cambuur.

FRANCE Nantes beat Metz, 3-1, in the French Cup third round Sunday to become the only first-division survivors in the competition.

Olivier Monnerot put Nantes in front in the 33d minute. Under pressure from the defender Jeff Strasser on the left, he lobbed a shot over the head of Metz's goalkeeper, Lionel Letizi. The midfielder Nicolas Savinoud doubled the tally two minutes after the half.

Second-division Nimes won, 2-0, at fifth-division St-Georges-lès-Ancizes in the day's other Cup match. Second-division Laval upset the league champion, Lens, 4-2, after a penalty shoot-out in a third-round match Saturday. (AP, Reuters, AFP)

Kjus Edges Childhood Friend Aamodt to Win His 2d World Cup



Lasse Kjus of Norway hitting a gate Sunday in the final giant slalom of the season in Sierra Nevada, Spain. He finished seventh in the event.

SIERRA NEVADA, Spain — Lasse Kjus, edging out his childhood friend Andre Kjetil Aamodt by a scant 23 points, added his second overall World Cup title Sunday to an unprecedented haul of five medals in the Worlds a month ago.

Kjus, a Norwegian who won the overall crown in 1996, finished seventh in the giant slalom Sunday in a combined time for two runs of 2 minutes 54.8 seconds and gained 36 points to bring his total for the World Cup season in the four Alpine disciplines to 1,465. It was enough to beat Aamodt, the overall winner in 1994. Aamodt clocked 2:05.13 for fifth place, bringing him 45 points and a season finish of 1,442 — the closest men's overall finish of the decade.

The Norwegian's victory ended a relatively unsuccessful season for the Austrian men. After sweeping all five titles last season, they got a super-G title from Hermann Maier and a slalom title from Thomas Stangassinger, at 33 the oldest skier on the circuit. Kjus won both the

overall and the downhill.

Sunday's giant slalom also determined the discipline championship. Michael Von Gruenigen of Switzerland won the race and, with it, the season title.

Von Gruenigen completed the two runs in 2:04.33. His countryman Steve Locher took second in 2:04.40, with Heinz Schilchegger of Austria in third in 2:04.44. Von Gruenigen finished with 483 points to 410 for Austrian Stephan Eberharter and 371 for defending champion Maier.

Maier, who said he aggravated a back injury in Saturday's slalom and needed two painkiller injections to ski Sunday, went out five gates from the finish on the first leg, losing his right ski after missing a tight gate.

The women's World Cup was dominated by the Austrians, who won all five titles. Alexandra Meissnitzer won the overall, downhill and super-G with Renate Goetschl taking downhill and Sabine Egger the crystal globe in slalom. Meissnitzer clinched her super-G title — and Egger her slalom — when those two races

were canceled by high winds and snow in Europe's southernmost ski resort.

Under the present scoring system begun in the 1991-92 season, the closest men's finish before Sunday was in 1993 when Marc Girardelli edged Aamodt by 32 points.

"It is unbelievable to get this title," Kjus said. "It was great fun to have this close fight with Kjetil. I felt a lot of pressure in the second run because I had made so many mistakes on the first. But I risked it all because I had to."

Aamodt, who looked up the hill dejectedly as Kjus was surrounded by friends and reporters, said Kjus deserved the victory. "Lasse has been the best all these years," Aamodt said. "I like to fight him to the last gate."

Aamodt's father, Finn, began training the two as children. Entering the final race, he trailed Kjus by 32 points.

"After Lasse's poor first run, I began to believe I had a chance," Aamodt said. "But I knew after I finished my second run I would not win because my second run was not good enough."



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Egypt (Cairo)	010-0200	Italy	172-1011	Switzerland	0800-89-0011
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